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# THE CORNER IN GOLD

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# University of California



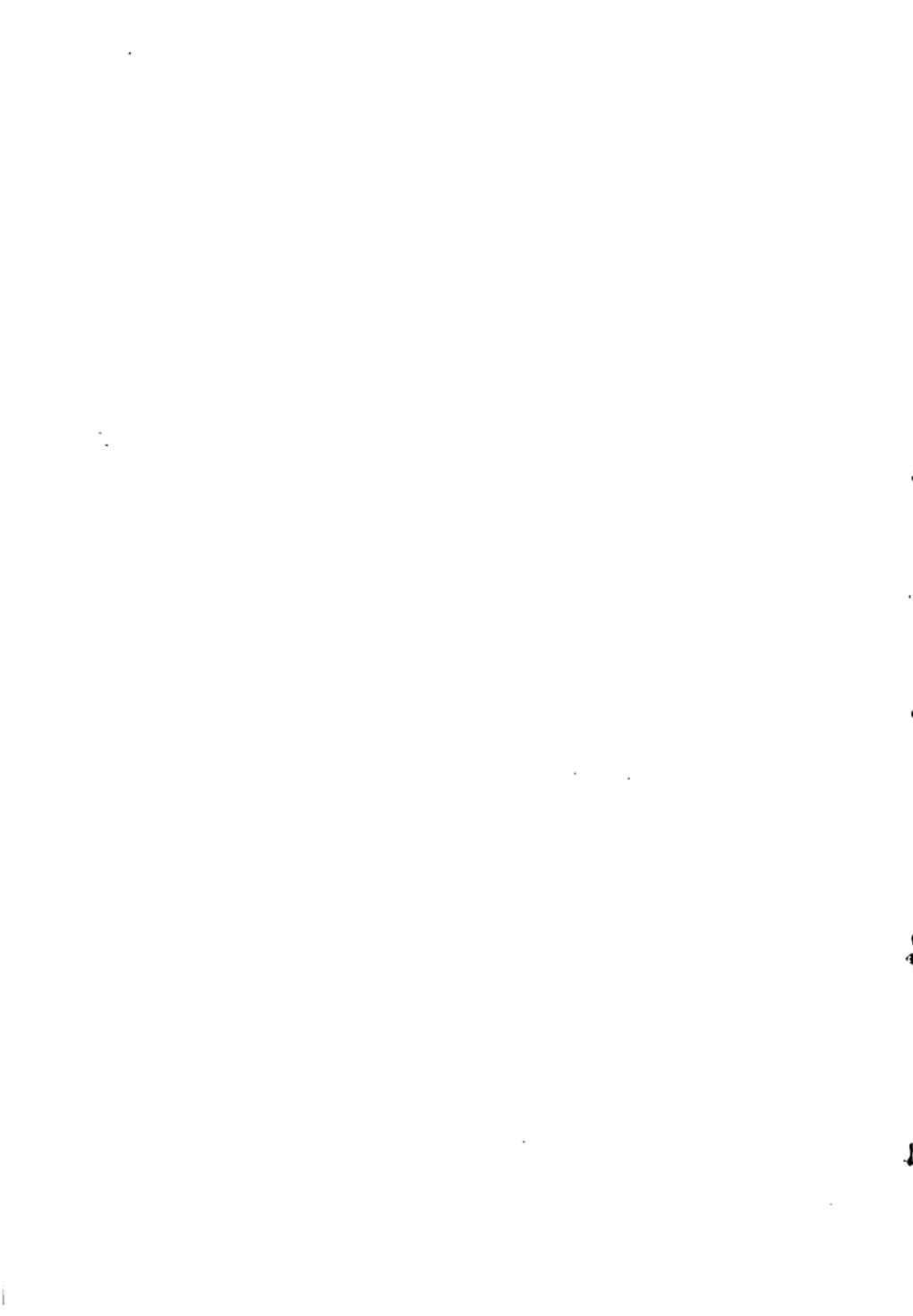
Lux ex Tenebris.

Claus Spreckels Fund.





**THE CORNER IN GOLD.**



THE CORNER IN GOLD :  
ITS HISTORY AND THEORY :

BEING A REPLY

TO

*MR. ROBERT GIFFEN'S 'CASE AGAINST  
BIMETALLISM.'*

BY

F. W. BAIN, M.A.

FELLOW OF ALL SOULS' COLLEGE, OXFORD; AUTHOR OF  
'THE PRINCIPLE OF WEALTH CREATION.'

"‘I will notch his shaft for him, however,’ replied Locksley.  
And letting fly his arrow, it lighted right upon that of his com-  
petitor, which it split to shivers.” IVANHOE.

James Parker and Co.  
27 BROAD-STREET, OXFORD;  
AND 6 SOUTHAMPTON-STREET, STRAND, LONDON.  
1893.



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B2

## SPRECKELS

'If Bimetallists are sometimes reviled as lunatics, economists are surely not without excuse. Mathematicians do not stop to argue with squarers of the circle, or with reasoners that the earth is flat.' *The Case against Bimetallism*, p. 37.

'Bimetallists have in fact made it necessary for us to go back to first principles, to begin at the beginning, with the beggarly elements of money and currency.' *Ib.* p. 7.

'It may be of some use to recall attention to the established elementary principles of money on which the English monetary system is based, and which are the accepted creed of economists throughout the world.' *Ib.* p. 194.

'The only way to deal with Bimetallists is to refer them back to Adam Smith, and other expounders of the A B C of monetary science.' *Ib.* p. 207.

'It is always useful to have preconceived opinions questioned, and the grounds for them examined.' *Ib.* p. 43.

'Of course, no question can be settled by authority.' *Ib.* p. 107.

'The persistence of error is remarkable.' *Ib.* p. 149.

'I have studied what governments can and cannot do a good deal.' *Ib.* p. 52.

'In the country of Locke, of Adam Smith, of Lord Liverpool, of the Bullion Committee, of Ricardo, of Sir Robert Peel, it is surely a scandal of the first magnitude that men of light and leading in other respects should have talked seriously of any such idea as the possibility of a fixed price between gold and silver.' *Ib.* p. 131.

'We, who are students of political economy.' *Ib.* p. 117.

## EPISTLE DEDICATORY.

MY DEAR MR. GIFFEN,—

Permit me, an obscure but most diligent student of *The Case against Bimetallism*, to submit to you, as the Champion of Gold, a letter which I have had the luck to intercept, no matter how, from a friend of mine versed in these subjects. It contains, I venture to think, some aspects of the 'Case' which have escaped your penetration. My friend Willie is a dull enough dog, but has, like his countryman, the 'creature Dougal,' 'glimmerings o' common sense ;' and you know the bonny Scots have always been thought to possess a pretty turn for finance.

As you have treated Bimetallists with such very scant courtesy, you will not, I am sure, take it ill, if Willie has here and there been betrayed by his nature, which is something peppery, into a Retort Courteous : nay, as a *monometallist*, ought you not even to rejoice, to find yourself repaid with interest *in your own coin*?

With regard to Willie's correspondent, I can only say : *ne sit ancilla tibi amor pudori.* He would speak all the plainer, no doubt, for having to make the young lady understand.

I am, Sir,

Your very humble Servant,

F. W. BAIN.



## ANALYSIS.

	PAGE
Difficulty of the subject . . . . .	5 sqq.
<b>THEORY.</b>	
Bimetallism an Economic Heresy . . . . .	<i>ib.</i> ,,
Radical error of Economic Dogma . . . . .	6 ,,
(a) as to the Mercantile System . . . . .	9 ,,
(b) as to the essential nature and function of Money . . . . .	19 ,,
Mr. Giffen's Logic . . . . .	35 ,,
What Money is : and wherein consists its essential DIFFERENCE from Com- modities . . . . .	40 ,,
Mr. Giffen on Bimetallism . . . . .	52 ,,
Fixing a Ratio, not an absurdity : and why . . . . .	56 ,,
The True Standard of Value . . . . .	64 ,,
Decline in Silver, due not to Nature (increase of supply) but Law (dimin- ution of demand) . . . . .	66 ,,
Mr. Giffen on Money . . . . .	76 ,,
<b>HISTORY.</b>	
The Old System . . . . .	83 ,,
The Arch Offender . . . . .	85 ,,
The Bill of 1819 and its effects . . . . .	88 ,,
The Bank Charter Act of 1844 and its effects . . . . .	101 ,,
The Discoveries of Gold in 1850 . . . . .	109 ,,
Political Economy refutes its own Dogma . . . . .	112 ,,
The Anti-Silver Mania . . . . .	114 ,,
Consequences of the Corner in Gold . . . . .	116 ,,
Conclusion . . . . .	121 ,,
<b>APPENDIX</b> . . . . .	129 ,,

'Hold : there's money for thee to spend.'

'Tis silver : I disdain it.'

'How now : hast thou the gold ?'

'Yes.'

*'But came it freely ?'*

THE JEW OF MALTA



THE  
CORNER IN GOLD:  
IN A LETTER

FROM A GENTLEMAN OF EAST LOTHIAN IN TOWN  
TO HIS PRETTY COUSIN IN THE COUNTRY.

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So it seems, my dear Meg, that you 'cannot make head or tail of Bimetallism.' You assure me, that notwithstanding the most prodigious and superhuman exertions you invariably rise from the study of your authorities with a feeling of utter despair and a splitting headache. Your difficulties, you say, have refused to disappear, although you have actually purchased Mr. Robert Giffen's *Case against Bimetallism*, and read it, by the aid of wet towels and green tea, three times

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'quite through' from cover to cover. At length, like a drowning man catching at straws, or a vessel in imminent danger of foundering, and throwing out signals of urgent distress, you have abandoned all further effort, left off struggling ineffectually with a superior agency, and appealed to myself; declaring emphatically that unless I can help you to bring order into your chaos, you will presently burn all your books, resign the presidency of the Fairyknowe Ladies' Debating Society, cease to attend the lectures of the University Extension (a penalty all the greater because, as you tell me, the young Oxford lecturer next on the list is reported to be extremely good-looking), forswear the higher culture, and devote yourself to sick-nursing, or some other pursuit at once more enlivening, more suited to your intellect, and more fertile in solid results, than what you petulantly term

—mixing your metaphors somewhat, I fear, under the influence of a pardonable irritation —‘the pig-shearing treadmill’ of the novice who aspires to penetrate the mysteries of the Currency Question. I am, so you tell me, your very last card : and you play it, because, as you are good enough to say, you are quite sure I know all about it ; and so I am to sit down at once and compile an epistle explaining it all by return of post.

Really, my dear Meg, it is very seducing to find you confiding so delightfully in me. I am verily afraid lest, after the fashion of your incorrigible sex, you should tempt me to make a fool of myself. Do you suppose that I shall actually dare to pretend without blushing to the wisdom which you lay with such flattering certainty at my door? to say I can honour the draft you have drawn upon me, and pay you, to the full extent of your credit, in gold? It would be much too pre-

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sumptuous, Meg, even in the sacred privacy of a letter. And yet in this case, since you command me to speak, I can honestly say; with Beatrice, '*amor mi mosse, che mi fa parlare.*' There's a witchery and a fascination in Political Economy, as well as in a certain young lady I know of, which makes me a slave to her: she leads you ever onward, like the bird in the oriental story, which kept always just out of reach of the prince who pursued her for the sake of her talisman ; nor at any time these many years, even though I had wished it, could I have abandoned my quarry : for 'the fiend in the heart of me,' as Pushkin expresses it, 'drove me along,' and would not suffer me even so much as to rest and take breath, till I had exhausted the subject as well as my strength. 'Who *will* know too much, grows old soon,' says the Spaniard: well, you shall at least have the benefit, Meg, of all my grey hairs.

To point out the cause of an error is half-way to the truth. Learn, then, Meg, that the prime cause of all the obscurity and perplexity besetting the problem lies *in ourselves*.

The root and core of the difficulties you have experienced, which render it, as you say, next door to impossible to make 'head or tail' of Bimetallism, is simply, an initial and radical error as to the nature and function of money; an error which, as Mr. Giffen informs us, is the 'accepted creed of economists throughout the world,' a received dogma of that Public Opinion, to doubt or deny which is heresy; one of the thirty-nine articles of that Economical Faith *quod semper, quod ubique, quod ab omnibus*: handed down from Adam Smith and the Fathers of the Catholic Economical Church in direct succession, and still reigning with despotic sway over her unsuspecting disciples. And thus it is, that

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newspaper writers and leaders of public opinion think they have said everything and settled the question, when they pronounce Bimetallism to be an '*economic heresy*.' They are perfectly right, Meg : but nobody speaks with such truth as the man who doesn't know what he is saying. Bimetallism *is* a heresy : but then Galileo was a heretic, too. Bimetallists, so Mr. Giffen informs us, are the detestation of men of sense. Curiously enough, so was Galileo. We must not appeal, my dear Meg, for the settlement of difficult questions to the opinion of Mr. Giffen's men of sense. The opinion of sensible men is the same, and yet different, in all ages : the individual specimens die, but the species remains. The sensible men of one age are carefully disclaimed by the sensible men of the next.

Five sixths of the 'demnition total' of our economical difficulty has been put there by

inferior thinkers, and maintained by the phalanx of sensible men. *Quel imbroglio que l'économie politique ! Ah ! vraiment, s'il n'existe pas ni philosophes ni prêtres, il suffirait des économistes pour nous donner la mesure de la déraison et de la crédulité humaine !* But what could we expect, in the name of all that is preposterous ? We start from premisses palpably and wildly ridiculous, and then wonder, when we suddenly find ourselves landed in absurdities. 'Tis as though we should base our arithmetical calculations on the assumption that two and two are five. We carefully tie our ballast to the mast-head, and when the ship suddenly turns turtle in a cap-full of wind, we go about exclaiming, Who would have thought it ! Clearly the thing to do is to raise our centre of gravity and get rid of the wind. It was the wind : nothing wrong here : *we're all right : it's that infernal wind.* Cut down our com-

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merce, but leave us, oh, leave us our financial theory<sup>a</sup>.

The nature and function of money were totally misunderstood by the father of Political Economy: nor is there in all history a more flagrant and ludicrous instance of misrepresentation, a more absolute case of plenary idiocy, of superficial ignorance falling foul of an institution it could not comprehend, of *parvenu* bumpiousness abusing its fathers, and mistaking its own fatuous imbecillity for superior lights, than the popular attitude of Political Economy, which Adam Smith inaugurated, towards the Mercantile System<sup>b</sup>.

\* The drain of gold which causes our panics need never cause a panic at all. It is we ourselves, who have carefully turned an intrinsically insignificant drain of gold into a necessary disaster by *tying our ballast to the mast-head*;— by tying our commercial security artificially to gold. Who would care two straws for a temporary drain, if the law did not restrict the currency during the drain? It is like tying a man's arms and legs, unless he has gold bangles on, and then saying he cannot swim without gold.

† Adam Smith did not originate anything: he simply

I beg you, my dear Meg, to lend me your little ear: I promise you, your earnest attention shall be amply repaid.

The Mercantile Theorists, Economists tell us, held, like economical heathen in their blindness, money to be Wealth, and wealth in a greater degree than anything else: they consequently maintained, that in an exchange, between nation trading with nation, what one side gained, the other lost. And with the patronising smile of superior wisdom comes your Political Economist and

collected the existing sticks into a faggot, and thus gave them strength. His cardinal thesis, that *labour makes wealth*, was never doubted by any Mercantilist; but it did not occur to Smith to analyse *labour*, or ask, *what causes, incites, and enables labour to make wealth in any quantity*. He would have learned something about money if he had. He would have discovered that the complex and highly differentiated labour machinery of a great wealth-creating society essentially involves and depends upon money. The unassisted hand, says Bacon, cannot do much: *instrumentis et auxiliis res proficitur*: tools and instruments are necessary. Well, money is the indispensable, the instrument of instruments.

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says ; Ah ! *mais nous avons changé tout cela :* but, poor fellows, we must not be hard upon them. *We* know, we of the nineteenth century ; A : that Money is not Wealth at all <sup>c</sup> : B : that both sides gain equally in an exchange ; or rather, that that side which gains money, positively loses, and that side which parts with it, positively gains.

I almost despair, my dear Meg, of bringing home to your mind in the compass of a letter the full insolence, the curious unhappiness, of this ‘orthodox’ criticism on the Mercantile System ; but I will do what I can.

*Both sides gain !* What inconceivable fools, then, must not the statesmen who acted on the Mercantile Theory have been ! What egregious, and let us add, what in-

<sup>c</sup> Although, the critic puts in parenthetically, this cardinal economic doctrine, that *money is not wealth*, is in flat contradiction to another equally cardinal economic doctrine, that *money is a commodity* : that is to say, *is wealth*.

comprehensible, unaccountable stupidity, to base national policy on so glaring a contradiction of the truth. Only see, exclaims the Economist, in a fit of lofty intellectual moralising, how error will dominate the human mind, and direct the policy of nations into the paths of perversity,—and so on, with generally edifying remarks<sup>4</sup>.

Aye, *only see!* Did it never occur to the Political Economist that the political wisdom and experience of statesmen, and the practice of nations, for hundreds of years, being on one side, and his own modern and superior but still human intelligence, on the other, it was just within the bounds of possibility that the error might lie on his side? that there might be some ele-

<sup>4</sup> Mr. Bagehot, whose economical reputation can hardly be wondered at in an age that took J. S. Mill, quite seriously, for a ‘thinker,’ speaks of the ‘extinct superstition that money is wealth.’ It is not *extinct*: nor was it a *superstition*. It had a weighty significance that escaped the superficial criticism of an abstract economist.

ment in the problem that had escaped his eagle eye? that all the state policy of early modern history might at least be presumed *a priori* not to have been directed by such fools as he took these Mercantile Theorists to be<sup>6</sup>. Did he never have qualms, as he wrote them down asses? Well might he have paused; for a deeper and more sympathetic criticism, merely from a historical standpoint, proves that such indeed is the case: that the Mercantile Statesmen knew only too well what they were about: and that it is the orthodox political economist, with his purblind want of historical intuition or critical acumen; with his radically fallacious method of pronouncing on historical moments and policies taken out of relation to their instigat-

<sup>6</sup> Recent economists are beginning to 'climb down' gradually. Mr. Ingram for example (*Hist. of Pol. Econ.* p. 50), says, 'The view of *at least the extreme Mercantilists, &c.*' Yes, but it is the *general policy* that is condemned.

ing circumstances, and viewed in the light of a superficial rationalistic theory; with his darkness unilluminated by even a solitary spark of the truth, that things are what their conditions require them to be and that **FUNCTION MAKES STRUCTURE**:— that it is himself who is wrong.

Read, my dear Meg, if you have not read it already, a book which is, beyond doubt, the very best book ever published in England on economic history; read Mr. Cunningham's *Growth of English Industry and Commerce*. There you will find a complete and exhaustive refutation of our orthodox Political Economist, 'I do see the bottom of Mr. Justice Shallow.' A policy, my dear Meg, must always be judged strictly with reference to its *aim*. 'Kneel not, neither adore it; but, standing, *look to the end*.' Now the aim of the national statesmen who acted in the spirit of the Mercan-

tile System was not, as the economist tacitly assumes, material wealth : it was, *national power, independence, and permanence*<sup>1</sup>. This end determined the means. The condition of things in which they lived and moved and had their being was war ; and in war, the longest purse won. Money was the sinews of war. No money,—no soldiers, no arms : money was the weapon of weapons. The old method of preparing for war was for the king to heap up treasure in his chests, as readers of early English history know well. But as this became ever more difficult, the idea was hit upon of making ‘the needful’ come automatically into the country by regulating *the balance of trade*. In exchanges, both sides did *not* gain. The state which gained money, gained not merely an equivalent, but it also obtained

<sup>1</sup> Aristotle, as usual, sums up the truth in a word : the end of the state is *αὐτόκεια*.

the *instrument* of war : the only thing good for that purpose, for commodities would not do<sup>s</sup>; would not *perform the function of money*; least of all in that age, when national intercourse being infinitely less common than now, there was little or no demand in one nation for the products of another. To gain money in exchange for your goods was to ensure the means of fighting at need, and consequently, the safety, independence, power, and permanent prosperity of your country. And yet the Political Economist, in the fulness of time, cocksure of his miserable theory of money, comes without a blush and assures

<sup>s</sup> ‘To have demanded,’ says the historian, ‘a superfluity of sheep or oxen, and provender, from the people, would not have met the King’s wishes: *he wanted money that he could make use of abroad.*’ Or, as an old writer expresses it: ‘He that hath coin shall have soldiers to fight for him, but he that hath none, though peradventure he number many subjects, yet in his need he shall find but few soldiers.’ *John Hagthorpe: England’s Exchequer, (1625).*

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us, that these Mercantile Theorists knew nothing of the ‘laws’ of Political Economy, ignored the sources of national wealth and well being, and were, in fact, nothing less than a parcel of boobies unfit for their business<sup>h</sup>. But I think, my dear Meg, that if our Political Economist could stumble on the Goloshes of Fortune, and transport himself back into the age of the Mercantile Theory, the very first statesman whom he began to lecture on his business would swiftly show him the door, and possibly accelerate his exit by unmentionable methods.

<sup>h</sup> Mr. Macleod, who is horribly severe on the Mercantilists, says, by way of illustration, that when the South Sea Islander gave a ten-guinea shell to the sailor for a two-and-sixpenny axe, *both sides gained*. Yes: but if they had both had to fight for their lives, the one who had parted with the *axe* for a *shell* would have looked rather blue. Now, money was to the Mercantile System nations just what the axe would have been in this case. Mr. Macleod omits just the special condition he ought to have remembered, to point his illustration. The Political Economist generally does: it is his little way.

So much, then, from the purely historical standpoint, but this is not all: nay, it is the very least part of this exquisite economical mistake. But thus far, what do you think, Meg, of the wisdom and weight of those economical 'authorities' whom Mr. Giffen so greatly regards, and with whose awful verdicts he ballasts his argument? Was not Malvolio a joke to them? May we not say, with the meditative philosopher in Mark Twain: 'Well, when you come to look at it all around, and chew it and think it over, don't it just *bang* anything you ever heard of?'

But let us suppress our emotion for a while: we have not by any means 'reached the Nadir.'

Apart from their total neglect of the special utility of money, and money alone, as the sinews of war: apart from their total failure to note that the *end* of the Mercantile policy

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was something quite other than that with which it was credited by the Political Economy wiseacres : these same wiseacres have still more entirely and radically misunderstood the nature and function of money, and misconceived or overlooked its ordinary operation in the everyday business of production and exchange<sup>1</sup>. They are not only utterly out, judged from the point of view of the Mercantile Theorists ; they are also absolutely wrong, even when judged from their own. Their end is, not the power and permanence of the State or Nation, a thing

"Exchange," by the way, is a question begging word : it ought to be banished from Economics, and 'sale' or 'distribution' substituted. Exchange was valid for the age of barter : now, there is no such thing as 'exchange : ' there is buying and selling. The values of commodities are *not* expressed in each other, but always in money, and nothing else. By *exchange-value*, if we mean anything, we mean *price*: quantity of money. Nobody exchanges commodities for commodities : money is always the go-between. *Exchange* smothers the paramount influence exerted by money and its variations over the movements of commodities.

which they pay no attention to, and even throw aside with contempt, but the increase and accumulation of individual wealth : and yet their theory of money, if consistently and thoroughly acted upon, would utterly and instantaneously defeat their own end and annihilate the wealth. What a glorious tribute to their theoretical genius a severe application of their theory to practice would pay ! The instant abolition of wealth,—what a delightful catastrophic vindication of a sound economical method ! But *luckily*, the practice of the world stands in flat contradiction to the economical theory of money : *unluckily*, this theory has to some extent interfered most disastrously with the practice and welfare of the world.

This error so baneful in its effects is simply, the failure to remark that function of money which DIFFERENTIATES it from all other commodities : which makes it accord-

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ingly something essentially different from all other commodities, and bestows upon economical laws of its own. The vulgar, says Aristotle, cannot draw fine distinctions ; and yet it is just on the drawing of these distinctions, where necessary, that salvation or perdition may depend. It is precisely the want of this discriminating perception that lies at the bottom of the economical dogma ; the most fatal and insidious of all pernicious economical dogmas, just because it is apparently so obvious and incontrovertible ; the dogma that *money is a commodity*, or that *commodities are purchased with commodities*, or that *money is subject to the laws of ordinary commodities*<sup>k</sup>. Mr. Giffen says truly,

<sup>k</sup> 'Is it possible that there should be a deficiency of demand for all commodities for want of the means of payment ? Those who think so cannot have considered what it is, which constitutes the means of payment for commodities. *It is simply, commodities.*' J. S. Mill, *Pol. Econ.*, p. 338. Verily, there is but one J. S. Mill. 'Is it possible that there should be a deficiency of water on a hill, for want of

—and let us agree with our adversary quickly, Meg, while he is in the way, for we shall never have a chance of agreeing with him again,—that this is the crucial point. It is. No man, or maid, Meg, can ever ‘make head or tail’ of Bimetallism, or of any other question of finance, till he has eradicated from his mind every vestige of the sophistical dogma, that *money is a commodity, subject to the laws of commodities in general*<sup>1</sup>.

the necessary pipes to convey it? Those who think so cannot have considered the natural way in which water spontaneously flows. *It is simply, uphill!*

How this eminent person ever managed to pass for a ‘thinker’ is a problem which would have robbed Oedipus of his hair and his reputation.

<sup>1</sup> The following pages will make this point clear: but to prevent the prejudice possibly existing in the mind of the reader, it is as well to state that what constitutes the essential distinction between money and commodities is, that the demand for money is inexhaustible. Money is to commodities what the potential is to the actual: it is the potentiality of *any* particular commodity; of satisfying *any* particular demand. Hence the demand for it is the sum of all particular demands. The potential is, in everything, better than the actual: for the potential (money) can

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Arguing on that assumption, which is the accepted 'creed of economists throughout the world,' the Political Economists have always maintained that the quantity of money in a community is a thing of no moment; which settles itself automatically. Being merely a commodity like the others, it should be left to itself like the others. Why should we make an exception to it alone? It is true, that, *outside* of economical theories, the world does distinguish and make a great pother about money alone, but Political Economy is not based upon the facts of this world, but a world of its own; a world of arbitrary assumptions and the thin ghosts of antique agricultural conditions, stretched upon Procrustean beds to suit commercial exigencies. The economists, of course, know perfectly well, or at least we may always become actual (commodity): but not *vice versa*. The potential, also, endures, but the actual perishes. See below.

charitably hope so; that if, from any particular cause, buying and selling could not go on, trade and industry, production and distribution, must instantly come to a dead stop. Similarly, when buying and selling are very brisk, trade flourishes: when they are very slow, trade is depressed. But owing to this fatal error about money, they have fallen into the colossal mistake of supposing that in the operation of buying and selling *any commodity will do*, as under a system of barter, which they maintain to be the legitimate normal condition of trade<sup>m</sup>: because they have falsely identified *buying and selling* with the *exchange of commodities*. But IN FACT, it is not so. IN FACT, *buying and selling* are a totally different thing from the *exchange of commodities*. A purchase or sale

<sup>m</sup> I beg the reader to recollect that it is especially the Political Economy of 'classical' fame, *on which our monetary system is based*, which I am considering.

is only half an exchange : money is neither extreme, but a mean, or a mediator<sup>n</sup>. IN FACT, there is only *one* thing that can *buy*, through which it is possible to express and effect *demand for commodities* : that is, the legally and customarily recognised money of the country in point. It is perfectly true, that, originally, money must have been merely a commodity, *before it was money*, far back in the night of the ages, before the dawn of civilisation ; a point to which history does not reach back. But whenever and wherever, as in all civilised societies is and must be<sup>o</sup> the case, money has become the

<sup>n</sup> It is just for this very reason that people all try, instead of making or exchanging the extremes, commodities, to get hold of the *mediator*, money. Hence, gambling, betting, theft, ‘bulling and bearing,’ company floating, pawnbroking, and financial swindling generally. They all aim at the *golden mean* between the extremes.

<sup>o</sup> For without money, to measure values, and their fractions, there can be neither *division of labour* nor *saving of time* nor *inducement to accumulate* : consequently no wealth-creation worth speaking of.

customary and indispensable medium, then it stands alone, apart from and opposed to all commodities, as something essentially different from them all, *sui generis*, with a law to itself. It is not humble and supplicating, like commodities, but proud, insolent and domineering, because it knows its own power, and that no one can do without it, let it give itself what airs it likes. Here and there, some strange eccentric person is found who despises it, but he is a black swan : most people will grovel to money. Now it is, when money has won its way to a recognised position, that, barter being a thing of the past, plenty or scarcity of money essentially determines the prosperity or adversity of trade. For if trade is to flourish, commodities must be *effectually demanded* : that is, *bought* : and to BUY, is to offer money. If there is no money, things cannot be bought ; and conversely, when people have

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money, they buy. It is a pure delusion to suppose, as Political Economy always does, that increase of money necessarily raises prices<sup>p</sup>. The argument is, that because money is a commodity, increase in its quantity lowers its value, and *must* do so. But IN FACT, it does nothing of the kind. This absurd nonsense comes from arguing from theory, and treating of the relations between money and commodities mechanically, i.e. without taking into consideration the MEN who stand behind and use them. It assumes, that the various demands of buyers, and the commodities they buy, remain exactly the same as they were, *before* the new increase of money<sup>q</sup>. But this is just what they don't.

<sup>p</sup> It does so only in a few special cases, where supply is absolutely limited. The great mass of commodities do not come under this category. When more are demanded, more come.

<sup>q</sup> Adam Smith, who founded this error, actually says so in the *locus classicus*, (*Wealth of Nations*, p. 86, McCulloch's

Double a man's money : he does not only want what he did before. He wants more. He goes off and buys a number of things which previously he would have bought if he could, but could not, because he could not effect his demand : he had not the money. In every human being there are potentially infinite demands. They are limited actually by the money he possesses. Who has more, buys more : who has less, buys less. What edition of 1863). 'When more abundant mines are discovered, a greater quantity of the precious metals is brought to market, and the quantity of the necessaries and conveniences of life for which they must be exchanged being the same as before, equal quantities of the metals must be exchanged for smaller quantities of commodities.'

This passage contains in embryo all the financial sophistries of this century. Its error lies in its false cardinal assumption, due to Smith's ignorance of the function of money, and the working of the productive labour machinery of society. His proposition is true only at the new mines, if they are far from the supply of commodities ; or for those commodities of which the supply is absolutely limited.

The same fallacy is contained in the common phrase 'pouring more money into the channel of circulation.' The channel will expand when more is 'poured in.'

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he does not do, is just what the Political Economist assumes : i.e., maintain precisely the same quantity of effective demands whether he has more or less money. And though it is true, that an increase of demand *tends* to raise prices, yet it will not do so, in a productive community, because it also tends to increase the quantity of commodities supplied. That is to say, its tendency to raise prices, instead of actually raising them<sup>\*</sup> really increases the demand for services, and leads to greater employment of labour. Increase of money, increase of employment, increase of commodities, increase of pros-

\* There is one case, it is true, where increase of money necessarily raises prices, and produces evil instead of good : the case of paper money, fictitious or suspicious. I beg the reader to note, that the value of this money falls, not, as the Economists say, because being a commodity, its quantity is increased, but because of *loss of confidence* in it. People distrust it. Now, the essence of money is its *reputation*. However small in quantity, *loss of reputation* is fatal to its value. With good metal money, this cause is impossible. People will always take it.

perity and general happiness. That is what happened in 1851.

Hence you see, my dear Meg, that the Mercantile Theorists were perfectly right, as the Bimetallists are now, in spite of Mr. Giffen, in ‘attaching great importance to keeping money abundant.’ And in fact, the Political Economists, on whose ignorant and preposterous theories modern financial legislation is based, in doing all they can to minimise money and keep it scarce, in denouncing the increase of money, are in reality denouncing, only imagine!—the *buying of commodities!* I fear it is not all pure ardour for science. They fear, if new money comes in, the value of their own ‘ringing coin’ may grow less. Why do they not abolish Banking and cheques altogether? But of this anon, Meg. Yet on their theory will they explain how, in spite of the enormous increase of gold after 1851, prices

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in gold remained substantially just what they were\*. Stick to them, Meg, like a leech, till they answer you *that : non missura cutem nisi plena cruris hirudo.*

The simple fact is, Meg, that none of the Political Economists have ever understood either the nature or function of money : its operation in buying and selling, on which all our prosperity depends. They argue not from the observation of the facts, but preliminary assumptions which they make the facts fit, or if not, pretend they are not facts. They will have it, that *money is a commodity, and subject accordingly to the laws of commodities.*

I will bring out for you presently, Meg,

\* Some theorists, in order to save the theory, have endeavoured to maintain that they *did* rise : but the fact that the thing should even be doubtful proves that the rise, if any, was utterly insignificant. The truth is, the theorist is thinking of his theory ; Increase in quantity *must* lower money's value, *because* it is a commodity. Yes : but it is not.

the full absurdity of that dogma, by placing it in glaring contrast with notorious facts, and then you will see the essential point of distinction between money and any commodity emerging spontaneously and defying any one to deny its existence. But I cannot refrain from stopping on the way to show you a delicious economical blossom sprung from that root ; a doctrine laid down by one of the too logical patriarchs of Political Economy, on the assumption that money is a commodity. It will make you laugh, Meg, and that will do no one any harm : but it will show you at the same time, in Euclid's fashion, by a *reductio ad absurdum*, to what unlimited regions of paradox you will arrive, if you allow a Political Economist to wast you along in his theoretical balloon.

Arguing, and observe, with the strictest logical severity from the position that money

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is a commodity, or what is the same thing, that commodities are purchased with commodities, J. B. Say, one of the brightest luminaries in the economical firmament, observes, that considering the sum total of commodities in the mass, the one half constitutes the means of payment for the other half: thus, he argues, every fresh batch of commodities produced furnishes *ipso facto* the market for as many others, their *vis-à-vis*, —to borrow a metaphor from the ball-room, Meg,—in the economical *quadrille*. Hence he concludes, that *every time that a commodity is consumed, a market for another is destroyed*<sup>t</sup>.

<sup>t</sup> *Un produit consommé ou détruit est un débouché fermé.*  
Why, certainly, when a schoolboy devours an apple, his mouth is closed. But the consumption of that commodity is not unlikely to lead to the purchase of another of the same. A penny is all that is necessary. M. Say could no doubt have told us *how a penny is consumed*. Apparently it differs from other commodities in furnishing a *constant débouché*, or market. The function of a commodity destroys it, sooner

‘What think you of this fool, Madam?’  
Why, this is very Midsummer madness.  
The best thing, according to this illustrious  
'authority,' would be to produce commodities  
for ever, and ‘circulate’ them, but never  
consume any at all. Then there would  
indeed be a splendid market for all of them.  
It did not occur, you observe, to *Monsieur*  
*Say*, that behind the commodities stand **MEN**,  
with appetites unsatiated, and even whetted,  
by consumption. It did not occur to him,  
that commodities do not exist to be ‘circu-  
lated,’ but consumed. But see, Meg, into  
what sloughs logic without insight, reason  
without eyes, can, like a wood-goblin, plunge  
its deluded pursuers. A thinker of this  
or later : whereas a penny may function thousands of times,  
and be a penny still. The fact is, it is not a commodity,  
but the *instrument of purchase*.

Ricardo said of this chapter of *Say's*, ‘*Des Débouchés*,’  
that ‘it contained some very important principles, first  
explained by this ‘distinguished writer.’ The above is one ;  
*ex ungue leonem.*

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kind, Meg, should let money alone ; cease to bungle over that miraculous problem, the focus of all the passions and unseizable, intangible wonderful forces of life and society, and stick to statistics : there he is safe ; there is his native and original element : over that dark charnel-house of hollow skulls and mouldering bones, bereft, in their disconnection and decay, of all the colour and the motion, the varied play and spiritual essences of that life which gave to them all their significance, he rises like an Ignis Fatuus, and flickers fitfully in the general economical gloom ; a scare to the vulgar, a beacon to the misguided, a familiar and unregarded exhalation to the wise ; most brilliant at midnight : fading and paling and mixing with the twilight, as the first faint streaks of dawn glimmer in the sky : finally overpowered and vanishing altogether in the full bright glare of day.

And now, Meg, for the analysis of our dogma, that money is a commodity. See how Mr. Giffen, revering his ‘authorities,’ utterly misses the solution which he places himself right under his nose.

He says : ‘the ignorance of the elementary principles of money on the part of leading bimetallists accounts very much for their delusions. Their error is initial.’ Then he proceeds to instruct them as follows : ‘Money, then, as regards its primary function, that of serving as a common measure of value, is simply a commodity selected first by custom and (often, not always) confirmed by law, as an intermediary in transactions,—a something for which in a civilised community any other thing can be sold and with which any other thing can be bought. In other words, a particular commodity is selected to perform the function of a common measure of value, *but it is and remains a commodity.* Gold,

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silver, copper, iron, cattle, nails, shells and many other articles have been used as such intermediary commodity<sup>a</sup>; and in performing this function they are spoken of by the name of the function, that of money: *but money is not a new and separate substance into which they are converted.* Gold remain gold, silver remains silver, cattle remain cattle, and so on, while they are performing this function of money; and *they remain subject to exactly the same laws of exchange after they are used as money as before.* *A new use is ‘imposed upon the substance, THAT IS ALL; the substance itself is unchanged<sup>b</sup>.*

<sup>a</sup> The question is not what *has been*, but what *is* used. I should like to see the faces of business men and financiers, if it was proposed to substitute ‘cattle, iron, nails, or shells’ for gold and silver, in our community. Custom canonises these metals, and makes them money *par excellence* in any civilised community.

<sup>b</sup> *The Case against Bimetallism*, p. 194. The italics are mine. Even from the purely material point of view, the

'Money is not a new and separate substance;—but who ever said that it was? 'A new use is imposed, THAT IS ALL.' ALL? Is there, in all economical literature, anything more delicious than this? *All*, forsooth! Is not that enough and to spare? Mr. Giffen is particularly anxious that Bimetallists should resume their economical A B C, and begin again at the '*beggarly elements* of money and currency,' (*beggarly* is very fine: these miserable elements we all know all about, especially Mr. Robert Giffen!) well, Meg, we are doing that: we have taken his advice; and now we may in return hint to Mr. Giffen that it would be as well if he were to return to the *beggarly elements* of logic, and learn that, of which he does

last statement is false. Bullion is always *coined*, in a civilised society: nor will it pass for money, as bullion, within that society.

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not seem at present to entertain were it even a suspicion ; viz. : that it is not in their substance, but in their *use* or *function*, and THAT IS ALL, that different things differ : that producing wealth in all its varieties simply consists in *imposing new uses upon substances*, and THAT IS ALL : for man can but alter the form to suit a purpose, and making a new thing is simply *changing its form*, while retaining the substance, and THAT IS ALL : that everything *is* what it *is*, and is *made* what it *is*, and is *defined* to be that which it *is*, by its *use* or *function*, and THAT IS ALL : It is just precisely in its function that money DIFFERS from any commodity : essential difference *is* just difference in function, and THAT IS ALL : yet here we have Mr. Giffen, past master of the ‘beggarly elements’ of economical science, sweeping away, with mag-

nificant indifference, the difference of function: annihilating the whole economy of Nature at a blow: pronouncing, in particular, money and commodities *the same*, because the *substance* is unchanged. The same piece of steel may be made a nail, a stiletto, a fish-hook, an egg-drill, a knife-blade, a pistol-trigger, a rivet, or what not: the same piece of glass may be converted into a tube, a tumbler, a window-pane, a flask, a lamp-chimney, or what you please: the same substance in short, may become anything, according to its function determining its shape: and here is Mr. Giffen to tell you, that all these things are *precisely the same*. Will Mr. Giffen admit that such a gross and astounding ignorance of the most *beggarly* elementary principle of definition in one who sets up to instruct the world on the abstrusest of all questions is, to borrow the language he has himself

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employed about the bimetallists, 'a scandal of the first magnitude'?

The loose way in which the vulgar, among whom I fear, my dear Meg, you will now be apt to class Mr. Giffen, habitually think, disguises the gigantic fallacy lurking in the statement that *money is a commodity*. People who attach no definite meaning to the term commodity, who mean by that simply 'something' they can handle and touch, (as Mr. Giffen himself calls it, in the above quoted extract, 'a something') may pass the assertion without question: or even obstinately maintain it to be 'obviously true.'

\* The fundamental error and cause of stumbling in all the Political Economists is simply, a want of logic. Not one of them all knows *how to define*. This is why they have never understood money. If they had ever attempted to define it, they could not at once have declared it to be a commodity, and yet *not* Wealth. Trying to harmonise Political Economy's dogmas is like guessing the old conundrum : *a man and not a man, seeing a bird and not a bird, hit it and did not hit it with a stone and not a stone.*

All we can do with these persons, Meg, is to break to them gently our conviction that they mistook their vocation when they went in for honours in political economy. If a man will not work, neither can he think, Meg. For though ‘commodity’ is but a word, the point is not one of mere words. Call money, if you please, by all means a commodity, provided that you never fail to remember, that *it is a commodity with a special function of its own*; a commodity whose special function it is, to call into operation and set going the functions of all other commodities, by introducing to them a consumer or customer: a commodity whose function no other commodity can discharge\*, for it is Master of the Ceremo-

\* Ricardo lays it down as his fundamental financial principle that ‘*no nation will pay a debt in the precious metals, if it can do it cheaper by commodities.*’ Works, p. 291. The only ‘little oversight’ in this sapient aphorism is, that nations have no choice in the matter at all. They *must* pay

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nies in the great dance of Commodities ; it knows all their languages, and can speak to each Commodity in its own ; whereas they know none *but* their own. Now, if the Master of the Ceremonies makes himself scarce, how can the Commodities dance to the pipers? Formerly he had two legs, one gold and one silver : but the financial authorities have ~~broken~~ his silver leg, and so now he cannot get about with sufficient alacrity. Hence Commodities sit pining and ‘fading upon the stalk ;’ nay, their Mammas do not even bring them in such quantities to the ball-room, for what is the use ? they cannot get partners. The ‘gold leg’ monopoly is fatal to the interests of producers.

And now, Meg, let us see how this song which is sung by the whole Economical in bullion, and nothing else. Buying foreign bills is of course a mode of doing this.

chorus chimes in with the facts of the world. Let us apply to this dogma that *money is a commodity like the others*, the touchstone of facts.

How is it, then, if money and commodities stand on the same level and are subject to the same laws, if money is just a commodity like the others, that, *unlike* the others, gold is so carefully looked after, placed in secure fortresses, and convoyed about the world under escort and guard? Why is it thought necessary to protect it from violence and rape in a peculiar degree? Why has the news of a gold mine a magnetic attraction? Why will it lure away legions of hunters to risk death in every hideous form at any distance from home on the chance of securing it<sup>b</sup>? Why

<sup>b</sup> In July, 1849, the population of San Francisco was about 5,000; in the autumn of that year it almost relapsed into a solitude. The tidings of nuggets caused a rush to the mines. Merchants and their clerks abandoned the

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has even the word 'gold' a magic and in-describable flavour? Why is it the recognised expression for something invaluable? Why is there a halo round its head? Why would every one prefer five pounds in gold to its 'equivalent' in any commodity? Why would Mr. Giffen look rather blue if his bankers sent him a notice that they were intending to return him his deposits to their full value *in soap or candles*? Why will any shopman in Bond Street or Cheapside instantly and gladly part with everything in

counting-house. Lawyers, doctors, and even State officials, joined in the rush to the gold-fields. Soldiers and policemen deserted: and no sooner did a ship drop anchor in the bay than the crew, eluding or defying their captains, hurried ashore to join in the race for gold.' *Patterson, New Golden Age*, vol. i. p. 127.

So, in Australia 'half the population of Victoria left their legitimate occupations, workshops stood idle, business places were closed, ships lay empty at the wharves:—but one thing was thought of,—gold.' p. 185.

And yet gold is merely a commodity like the others! See Appendix to this book.

his shop to the man who offers money, but would laugh in the face of the man who tried to make him take commodities instead in exchange? Why can you never re-sell what you have bought for the same money you gave for it? Why must a man who wants money,—why did the Barings in 1890, for example,—sell goods and securities *at a loss*? Though you may be worth hundreds of thousands in goods of all kinds, can you travel by rail or by road, by land or by water, with anything but money? Can you bet, without money? Can you gamble, without money? Can you help a friend, without money? Can you go to law, without money? Can you pay your debts, without money? Can you govern, without money<sup>c</sup>? Can you stir, without

<sup>c</sup> Fakredeen was right: ‘princes go for nothing now without a loan. Get me a loan and you turn the prince into a government.’ The Stuarts lost their crown because

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money? What can you do, without money? You can do without any commodity; can you do without money? But what, after all, is the use of talking to blind men of colours, or a Political Economist about money, which he takes to be *a commodity, nothing more?* I will tell you, Meg, what money is, *more.* Money may be compared to the key of a door, on the one side of which is the seller, with a commodity: on the other, the man who has money. This man can open the door, whenever he chooses; but the other, though the law permits him unfortunately to howl, kick, blow his own trumpet and exhaust his ingenuity in en-

Edward I. had expelled the Jews. It was Nemesis. The Jews are Tories: they would have supported the King with those funds, the want of which, in an age before Credit and Banking, was the rock on which Charles I. split. The Jews would have been to him what the Bank was to William III.

deavouring to draw public attention upon himself, can yet never open the door *from his side*: he must, will-he, nill-he, wait till some one shall pass by on the other, who has the key and wishes to get at him. This last man, the man who has money, is the man *on the right side of the door*. Money is, in strict accuracy, the Open, Sesame! to the Cave of Mammon. And the difference between money and commodities is precisely analogous to the difference which Cassim in the story found to his cost to exist between Sesame and any other grain: for he found he could not open the door with 'Barley,' 'Wheat,' or any other name he could think of. Just so, nothing but money will avail to perform its function: to BUY. Money is *not* a commodity: commodities are *not* purchased with commodities: buying and selling are *not* identical operations: these things are perfectly familiar to every-

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one, except Mr. Giffen and the Political Economists.

Call it, however, by all means a commodity, always provided that you are not the dupe of a word: always provided that you never forget that it is *the only Commodity in permanent universal demand*<sup>a</sup>, because it does everything, answers every need, stands between man and all his desires. Money is

<sup>a</sup> Mr. Giffen ‘holds most fully to the view that the ratio of exchange between the precious metals and other commodities is fixed in no other way than is any other ratio, viz. by supply and demand, and by the cost of production of the last margin of supply necessary to meet the last margin of demand.’ p. 82.

Apart from speaking here of the ‘precious metals’ as if it made no difference to their value whether they are used for money or not, (whereas it is just their use as money which makes them *precious*), Mr. Giffen is arguing sophistically from commodities to money. In the case of the former, there is no doubt a limit to the demand, but to speak of the ‘last margin of demand’ in the case of money is pure nonsense. There is no limit to the demand for money, not only in the case of the whole world, but in the case of one man. Who ever met a man who had enough money?

the power of realising your demands. The point is there. Money will do everything (almost) that anything else will: while on the other hand it will do innumerable things that nothing else will. It is a total error to call it a commodity. It is both more and less than any of them all. It is actually, none: it is potentially, all. When you are hungry, thirsty, or cold, food, drink, and clothing are better than money: yet in general, not so: for while you can always get these things for your money, you cannot get money, i.e. other things, for food, drink, or clothing, just when you want to. We might in algebraical language style money the  $n$ th power of any commodity. It does not go bad, mouldy, moth-eaten, rusty; it is not subject to the caprices of fashion: it does not, relatively speaking, wear out: it responds instantly to a call upon its powers: and last, but chiefest of all, it in-

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creases when not used: i.e. lent out at interest: it is CAPITAL\*: the only thing in the world which gives a return without any expenditure on it: for rent and profits are in this respect inferior to capital bearing interest. In production or action, in commerce or trade, in love or in war, money is *the* human instrument: the instrument of instruments: you cannot stir a step in any direction without it, and that's why it DIFFERS essentially from any commodity. It is the only thing in the world of which you can predict with absolute certainty that it will be in *constant, universal, inexhaustible*

\* Nobody pays Interest upon 'Capital,' in the economical sense of that word, meaning 'commodities productively employed.' These are not borrowed, but bought: the Capital on which Interest is paid is the money that buys them. How, then, could Political Economy possibly explain *Interest* when it denies that money is Capital? The truth is that *nothing but money* is Capital, i.e. that which bears Interest.

*demand*: no man ever has enough of it<sup>1</sup>: and it is therefore *not* subject to the laws of other commodities. It is outside their laws, outside of time, place, and individual caprice or taste, because it holds good equally for all. The value of all commodities depends on and varies with place, time, and person ; of money, not : its value is not special, but general, equally adapted to all times, places, and preferences : all things to all men : it is itself merely concrete, external, exchangeable demand : *the actuality of demand*. Mark this, Meg : you will see presently how it solves the difficulty that baffles Mr. Giffen.

<sup>1</sup> This is the result of the general adoption of payments in money instead of payments in kind. We are all like the Pope was in 1229. If the Pope had been obliged to receive his tenths in kind, as of old, his appetite would have been sooner satisfied, especially if the produce had had to be conveyed to Rome : but when sheep and oxen and other produce became commuted to an absolute money payment, then his appetite became insatiable : he could not have too much.

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And now, Meg, when we turn, thus prepared, to Bimetallism, we note, first, that if we may judge from his book, Mr. Giffen does not seem to have grasped what Bimetallism is, or Bimetallists want: Bimetallism is simply an *option*: payment *either* in silver or gold, as you please. Yet would you believe it, Meg?—Mr. Giffen calls this a violation of Free Trade principles\*. There is no indication that he is trying to be facetious: he is reckoning, without doubt, on the gravity of his readers: and yet I must confess that this is almost too much for my own. *Free Trade*, to compel payment in one metal only, difficult, frequently almost impossible to procure! *Free Trade*, to give gold a monopoly of money! *Free Trade*, to eliminate silver! *Free Trade*, to block up one time-honoured passage, and charge an exorbitant rate for the use of the

\* *The Case against Bimetallism*, p. 49.

other! *Free Trade*, to enslave the whole world to the fetish of a yellow metal! to stake the commercial prosperity of the world on the accidental movements of two or three cartloads of dross! Free Trade, my dear Meg, seems to me marvellously like a very poisonous form of Protection in disguise: a CORNER IN GOLD: the wolf in sheep's clothing. Do I deceive myself, or do I spy, under that old woman's hood, the sharp features of Monopoly? 'What terrible eyes you have, grandmother!' 'The better to see you with, child.' Shall we give Mr. Giffen a hint for his next Christmas pantomime, Meg? HARLEQUIN FREE TRADE: or *Little Red Riding Hood and Little Jack Horner who sat in the Corner and said What a good boy am I.* It need not surprise us, Meg, after this, to find Mr. Giffen proving to his own satisfaction that Bimetallism is a sheer impossi-

bility<sup>b</sup>, although it existed for hundreds of years in England alone, down to 1816. Like the old feudal baron who was superior to grammar, and set number and gender at defiance, Mr. Giffen, when facts are against him, takes, like ancient Pistol, a most horrible revenge ; he proves they are not facts at all. Certainly, he admits in one place that there is ‘a kind of surprising phenomenon to be explained.’ The truth is, he does not understand the aim of Bimetallism. Bimetallism does not aim at *keeping* two metals circulating side by side. Its two metals are not an end, but a means. It says that the currency is too small in volume and ought to be increased. It aims at steadyng the standard, and keeping money from constantly rising in value and thus taxing production in a constantly increasing ratio. It aims at preventing financial panics, due to

<sup>b</sup> *The Case against Bimetallism*, p. 203.

insane legislation. The aim of that legislation, on the contrary, misguided by false economical theories, has been to restrict the currency, in the teeth of an increasing population and trade, by expelling silver, limiting note-issue, forcibly giving gold a monopoly of money, and thus constantly cutting at the roots of production, by causing the means of demand to grow automatically smaller and smaller. Gold is favoured exclusively, and arbitrarily, no one can tell why: anyone who has gold can go to the Mint or the Bank, and turn it into coin. Why not make money of diamonds? There are not enough? Exactly: and Bimetallists say the same about gold. They contend, that the currency of the world requires to be augmented by the re-introduction of silver, on a level with gold, to perform the function of money. Why, in the name of all that is ridiculous, should not money be white as well as yellow?

Now, then, Meg, for this question of *fixing a ratio*, which as Mr. Giffen informs us, baffles the genius of Sir William Harcourt, and which Mr. Giffen is of opinion that no one can understand: an admission from which we may at least collect this, that it has eluded his own comprehension. Truly, we may turn pale before a problem which laughs at intelligences of the first order. But the fact is, Meg, that the paradoxical and contradictory appearance of this point is given to it by the radically false doctrine of the Economists concerning money, which Mr. Giffen shares. No one could ever understand how birds fly, if he invariably argued on the assumption that legs are identical with wings. And similarly, to understand this question of fixing a ratio between gold and silver, it is an essential preliminary to have mastered that vital difference between money and commodities, which we have

analysed here : a preliminary condition which Mr. Giffen fails to fulfil; and having therefore no insight into the heart of the matter, pronounces the whole thing a delusion, never suspecting that the puzzle is put there by his own understanding. Instead of allowing for the chromatic aberration in his telescope, the astronomer sets to and abuses the stars.

The way you approach any question, Meg, is half the solution. Look at the matter like this. Holding, as he does, that *money is a commodity*, and therefore *subject to the laws of commodities*, Mr. Giffen asserts that *fixing a ratio* between gold and silver is identical in nature with *fixing a price* for a commodity, which he rightly pronounces absurd. Now, if Mr. Giffen had only gone on to ask himself *why it was absurd* to fix a price for a commodity, he would perhaps have discovered the solution of his difficulty.

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See, now, Meg, the importance of clearly grasping that essential distinction between money and commodities which has escaped Mr. Giffen. It is perfectly true, that you cannot *fix a price* for commodities : but **WHY?** Because you cannot fix the *demand* for them. You cannot force people to give more of their *money* than they choose for any particular commodity ; for the amount of *money* a man will give for a thing is the measure of his *demand* for it: nor, again, can you force people to take less *money* for a thing than they insist upon having. *Fixing a price* for a commodity is absurd, because it assumes that *the demand for that thing is constant, and that you know beforehand exactly how much it will be.* But this, in the case of commodities, you never do know or can know, for the demand for any particular commodity varies indefinitely according to times, places and persons ; changes in the com-

modity itself, and changes in the money which must buy it, all bringing to bear. But now, it is just the reverse with money. *You do know beforehand exactly what the demand for that will be*, simply because it is itself the medium in which any demand whatever it be, and however much it may vary, must be expressed: the vehicle of demand. Whoever demands anything has first to demand money: its value is divested of all those special circumstances which vary the value of commodities; it is independent of change; and as long as there is any demand for anything, there will always be the same demand for money to realise it. Hence the demand for money in exchange for commodities is so infinite that no conceivable supply arising gradually from mines can catch it up. Let people buy as much as they like, they will always find sellers and producers ready and eager to find com-

modities in exchange for their money : the more money there is to demand, the more will commodities and services rush forward to answer it : the money is the prior condition<sup>1</sup>. People will always take it : always provided that the money is not suspicious,—like inconvertible paper money, to which some doubt must always attach. But there, as we saw before, it is not *quantity*, but *want of confidence*, that lowers its value. Hence

<sup>1</sup> The economical dictum of Adam Smith and his followers, that a 'greater quantity of commodities requires a greater quantity of money to circulate them,' is a radical inversion of the truth. The greater quantity of commodities cannot appear *until* the money has first come to demand them. The word 'circulate,' in the above application, indicates and arises from a total inability to understand the process of production. Commodities do not come forth, and then require to be 'circulated,' any more than wheels first come into being and then require some one to twirl them. The initial originating final cause, money, is prior : it is the 'reason why' of the generation of commodities. The 'circulation' of commodities is not an explanation, but a description, *after the fact*. Who in the world ever wanted to 'circulate' commodities ?

instead of being an evil; an increase of good money is the greatest conceivable blessing, and that has been proved by the gold discoveries in our own day.

However much Mr. Giffen labours to disprove it, nevertheless it remains true, and obvious, that silver and gold get their distinctive value because they are wanted for money: it is this function that makes all men glad to get hold of them, because this function is, of their possible uses, the only one in universal demand. And now you see why, Meg, it is, that fixing a ratio between them is a totally different thing from fixing the price of a commodity. When either silver or gold can be indifferently used for money, when either serves equally well for tendering in payment, then the demand for them, in general, is equal, and fixing a ratio merely determines, in special, what exact quantity of each shall be an equivalent for

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the other. The ratio simply converts two metals, one white and one yellow, into a common money material, and it is the ratio fixed that determines to what extent each will be demanded. A thing of great weight in settling this point is hereditary custom, which began in pre-historic times, and has led to a tolerably general relative estimation of the two metals: though no one can ever say why it should be just what it is. Like all custom, it has only a historical and no rational basis. But only a fool or an eighteenth century *philosophe* would neglect it or leave it out of account. The high reputation of silver and gold rests on the traditional testimony of the ages. Fixing a ratio between them, taken, for example, on an average, suppose 1 : 15, simply means and settles that where one part of gold is required, fifteen will be needed in silver. Gold being less bulky would have, *a priori*,

the preference, but this again would restore it to silver, as being more easily obtainable: and thus the demand would oscillate to and fro about a point with which it might perhaps never coincide. But *fixing a price* for any commodity is a totally different thing : that is fixing how much *money* is to be given for a commodity. It is not the *price* of money you fix, in fixing a *ratio* between gold and silver used as the money material. Price *means* only ‘quantity of money’ given for a commodity: how, then, can you possibly fix the ‘price’ of money? Money cannot have a ‘price,’ any more than the hand can grasp itself<sup>k</sup>. Priceless itself, money prices all. It stands over against commodities, like a magnet against steel: the antagonism is polar. To become money, is to cease to be a commodity, cease to vary in demand, cease

<sup>k</sup> Of course, the ‘price’ of money, meaning the interest paid *per cent.* for its use, is another matter altogether.

to have a price, cease to answer to any particular end, cease to be at the mercy of tyrannical popular whim or caprice ; it is to fear no more the heat of the sun, or the furious winter's rages ; to rise up out of the sphere of nervous anxiety, apprehension and uncertainty, subservient dependence on constant variations in esteem, and soar aloft as the sublimated etherialised incarnation of general human demand<sup>1</sup>.

And now, Meg, I do beseech you to mark this. It is a vital error to suppose, as Mr. Giffen and the Economists all do, that gold, *qua* gold, is the standard of value : that the material of money is the standard. The material of which money is composed is no more the standard of value than the dial of

<sup>1</sup> The deep reader will perceive, that when not being used, money has a universal value : in the particular act of a special exchange, on the contrary, its value becomes just that of what it is purchasing. In exerting its power, it loses it; like a bee stinging, or an heiress getting married.

a watch is the time. It is not the standard, but the register in which the standard is recorded. The real standard is the human mind. According as the human *esteem* or *value* of things grows quantitatively or qualitatively larger or smaller, so will the amount of money given for them grow more or less. Money is only the notation and vehicle of demand : DEMAND IS THE STANDARD. When it soars too high to be expressed in money, then its object is said to be invaluable ; a common market price for a thing, on the other hand, means that men value it, on an average, the same.

This is the heart of the money question, and it has never been understood by Political Economy, owing to her neglect of the final cause of commodities. Gold is only the standard by reference to its position and function as money : because, *qua* money, and *not qua* gold, it is the *externality of demand*. Money

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is to demand, what speech is to thought, words to conceptions, body to soul.

And therefore, Meg, it is obvious that *the condition of fixing a ratio is that both metals shall be on the same level as money*: both equally valid in payment as legal tender. Of course, if you demonetise one, silver for example, its value will drop. Fixing a ratio will *then* be absurd because, by demonetisation, you have robbed it of its use and its function; you have annihilated it, as money, and *turned it into a commodity*: and then its value, like that of all other commodities, becomes no more universal and general, but local and variable. Then you will find that the supply is far in excess of the demand, *as now reduced*. But mark, that it is not because the supply *was* too great, *before* you demonetised it: it *is* too great now, because you have annihilated the demand. Demonetise gold, and precisely the same thing will



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happen. The moment silver and gold cease to be money, nobody wants them : they are drugs in the market: even their non-monetary uses will then fall away because these are, to a large extent, dependent on the esteem in which they are held as money. It is not merely their beauty which leads men to accumulate gold and silver ornaments. Oust gold and silver from their commanding position as money, and their value will dwindle away. But nature has nothing to do with it. The arrant nonsense which is talked on this head is enough to drive anyone capable of thinking mad. To talk of a *natural* value in the case of silver and gold used for money,—well, it means only that you are a *natural* idiot or a Political Economist, Meg. Money is a *political* institution, and therefore, like the material of which it is made, it has a *political* value. Every one who has an oz. of gold can go

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to the Mint or the Bank, and compel them to give him £3 17s. 9d. for it: that is to say, his metal gives him a claim on the services and products of the community to the extent of that sum of money. Now this state of things was established by law: *abolish the law, and where is the value of gold?* Who would waste his time in accumulating a metal not convertible into money? Well, that is just what has happened to silver. The law has annihilated its value, by demonetising it: yet Mr. Giffen and his financial ‘authorities,’ the Political Economists, tell you that its depreciation is due to the discoveries of silver. But these new discoveries would have had no such effect, had not *the law first degraded silver to the rank of a mere commodity.* Why, what does Mr. Giffen tell us himself? ‘The significant fact that silver prices HAVE NOT RISEN during the last fifteen years in silver-using

countries ought never to be lost sight of.' No indeed, Meg, I should rather think not. But did not Mr. Giffen ever try to explain this? Does he not see that it knocks all his theories about money to pieces? Or what will he say to this still more noteworthy fact, that silver has only increased in quantity 100 per cent. during the last eighteen years, and yet only see how, relatively to gold, its value has dropped: whereas between 1847 and 1853, a period of only six years, gold production increased 500 per cent., and nevertheless gold varied in value relatively to silver only  $\frac{1}{3}$  of a penny. There is a fact for Mr. Giffen to account for, on his theory that money is subject to the laws of commodities. '*Unless*, however, the cardinal rule of commerce, that quantity governs price, which applies infallibly to all other commodities, *loses its force when gold is concerned*, this sudden and great increase in gold must

be followed by a reduction in its value.' So wrote Richard Cobden in 1859<sup>m</sup>: and yet gold did *not* fall in value. Therefore according to his own criterion, it follows, that gold is *not* a commodity: *not* subject to the ordinary laws which regulate the value of all commodities. Have I not shown you, Meg, otherwise, beyond all possibility of refutation, that such is the case? Is it not as clear as noonday, that what differentiates money from commodities, the inexhaustible demand for it, is just the very thing that neutralises the effect of the increase of supply? Yet who can change the dogma; who shall eradicate the deep-rooted lie in the soul of the Political Economist?

Natural accidents, forsooth! it is not nature, it is law, the fruit of false theory and misguided economy, that has altered

<sup>m</sup> Preface to his translation of Chevalier's book 'On the Probable Fall in the Value of Gold.'

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the position and brought about the fall in the value of silver. And yet Mr. Giffen tries to persuade us—is it conceivable?—that the State has no business to meddle with the question. To suppose that it has, is a Bimetallist Fallacy, says Mr. Giffen. Now, Meg, let us ask Mr. Giffen a question. Is money private property, or the property of the State? If he says, the State, then of course it's the State's business to see to it. If he says, private property, then I should like to know what he can say in defence of the State, which by its legislative *fiat* deprived the property of the holders of silver of a great part of its value. Is the State only to meddle with the question in the interests of gold, and then stand magnificently aloof, saying: Let me mind my own business: let things manage themselves? Fancy the howl that would go up to heaven if some one proposed to demonetise gold,

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and substitute diamonds! We should not hear much more of the *natural* value of silver and gold. Yet what greater right had the statesmen who demonetised silver? And yet the Bimetallists are called hard names; and it is much, if people do not wink and significantly tap their foreheads when a Bimetallist comes in to the room. But the gold holders—ah!—they are on *the right side of the door*. Possession is nine points of the law. Bimetallists, it is true, have permission to speak: at least, speech is silver: but silence, Meg, *silence is gold*.

They talk a good deal nowadays, Meg, about methods of discovering truth. That is all very well; but to me, as it seems, there is and can be but one method: it is, to be gifted by Nature with a brain and an eye and no prejudice. I will not presume to pronounce on the first qualification in the case of Mr. Giffen; but as to the second

and third,—why, he cannot see the facts through the spectacles of his orthodox economical prejudices. His vision is blocked by the dogmas he borrows second hand from ‘Ricardo and other great authorities’.  
*Mumpsimus* wins, all along the line. But in fact, these authorities have left out of their account just the one thing that constitutes the core of the question,—Human Nature. They all write and talk about money and commodities as if, instead of being instruments, they were automata, going of themselves: making themselves and exchanging themselves for each other at their own sweet will, simply for the pure pleasure of ‘circu-

■ For example, he says (p. 199) ‘*to all intents and purposes*, the identity between coined and uncoined gold is complete.’ Was ever a more flagrant absurdity printed? We might as well identify leather and boots. In Australia, for example, when it was deluged with gold, there was a great scarcity of money, because there was no Mint, and it could not be coined.

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lating.' The last thing that ever occurs to them is the fact that thunders in their ears and glares in their eyes and crawls about under their nose: the fact, that all these things are mere special cases of the activity of men, called into existence to serve his pleasure and pursuits: to answer to his demand: which is conveyed and realised by money, the great Human Instrument. How can you understand money, the pivot of the world, if you abstract it from the world that makes use of it? It takes its colour, like the chameleon, from the hand that holds it: it is the organ of will. Parties and law makers do not act as they do merely in order to illustrate beautiful theories, Meg: they have an end and an object. So when you want to discover a man's secret designs, it is not what he says, directly: it is his casual admissions that you must pay heed to: the cloven hoof will be sure to peep out. Few

people are clever enough to guard all their approaches, especially if they keep talking : as lawyers know well. Do you suppose that the laws of this century have all been made simply at the dictation of pure truth and philanthropy ; or that it is simply from a desire to benefit their kind that the powers that be in France, England, and elsewhere have been willing, to borrow Mr. Giffen's delicious phrase, to *let* gold become standard<sup>o</sup>? Bless your pure soul, my dear Meg. *Cherchez la femme ; cherchez la cause finale.* Look for the motive, the steam power. Not without reason have modern philosophers sought to eliminate *final causes* from the study of Nature. Politicians, at any rate, have every reason to be grateful

<sup>o</sup> p. 205. 'England, France, and the United States, have all been willing to let gold become their standard substance.' How extremely kind of them!.

to them. The 'final cause' of much modern legislation is apt to shun the light, and disguise itself under the accommodating shadow of a pretext.

But let us pause, before proceeding to history, to take some 'sidelights' on 'our Mr. Giffen.' He says: 'A fall in prices is substantially due to the necessary difficulty (*why necessary, Meg?*) of increasing the stock of precious metals so as to keep pace with the multiplication of commodities and the multiplication of the numbers of the people<sup>p</sup>.' Mark that, Meg. Then he says again, 'The demand for gold for non-monetary purposes appears almost equal to the entire annual production<sup>q</sup>.' Therefore, Meg, according to *Mr. Giffen himself*, the present stock of gold used for money can never materially increase; while on

<sup>p</sup> p. 74.

<sup>q</sup> p. 85.

the other hand 'every fool knows' that wear and tear and accidents keep constantly wasting and wasting it; and consequently, while population and its accessories grow, the money must be getting spontaneously and progressively, apart from any increase of demand, small by degrees and beautifully less. There seems to be something wrong here, *according to Mr. Giffen himself*. Yet on the other hand, when he is pressing his dogma, elsewhere he tells us that the quantity of money has no influence on the wealth and welfare of a commercial community, and that gold and silver would be equally serviceable to the world if they were only half as abundant<sup>1</sup>. The half is as good as the whole, such is the financial dictum of the modern Hesiod, Mr. Giffen<sup>2</sup>.

<sup>1</sup> p. 17.

<sup>2</sup> Mr. Giffen takes this from Ricardo. 'The smaller quantity of money would perform the functions of a cir-

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Carry that out, and it seems that the world would be just as well off, if it had only £10 in gold altogether : and even the half of that would do just as well. What a prodigious discovery ! See what it is, to have an economical genius, Meg. But really, as to calling Bimetallists lunatics, why, surely Mr. Giffen must be *the Man in the Moon*, my dear Meg.

But now, let us take a look at the historical origin of the present state of affairs, and trace the gradual progress towards this

culating medium as well as the larger. Ten millions would be as effective for that purpose as 100 millions.' *Ricardo's Works*, p. 263. The fallacy is, of course, the ordinary Ricardian fallacy in all his 'laws ;' the assumption of absolute *fluidity* in the division of the money. If coins could suddenly be changed to half their size, no doubt this would be true : but this is just where the impossibility comes in. Custom fixes the coins : i.e. the quantitative divisions of bullion : hence Ricardo's fluidity is impossible. It is just the same with his 'law' of rent, wages, and the rest. They all assume absolute fluidity, and become palpably ridiculous in a world where it does not exist.

consummation so devoutly to be wished, if we are to believe Mr. Giffen: this perfection of a currency system<sup>t</sup>, this monometallic Papacy of Gold, so much admired by Mr. Giffen. People are apt to look upon the system of things they are born in as the eternal and immutable as-it-was-in-the-beginning-is - now - and - ever - shall - be. But history will tell a very different story. She will tell us that gold is a mushroom upstart who, like all parvenus, has every reason to be ashamed of his origin, and the steps of his ascent. Mr. Giffen loves to contrast what he calls an 'automatic coinage, such as we

<sup>t</sup> p. 80. 'A good standard should be like an ordinance of nature, so that practically no changes are ever required. *In this last respect* at least our own metallic currency for the last eighty years has been perfection.'

This is truly a Giffenian gem. Perfection is that in which, as in a law of nature, 'practically' no changes are ever required; no changes have ever been required in our currency during the last eighty years (!!), and so it is perfection ! This it is to be a financial expert.

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have in this country' with a 'managed currency, such as is involved in Bimetallism.' Of course the distinction is futile and merely verbal, for either system, and every system of money, is and must be 'managed' and not 'automatic.' But if, to oblige Mr. Giffen, we wish to keep his nomenclature, I will tell him, Meg, where he will find a skilfully 'managed currency:' in the history of England during this century.

History, Meg, is my hobby: there is nothing like history, when the historian is a man of the world, and is skilful accordingly to catch the spirit of events; like Autolycus, 'a snapper up of unconsidered trifles:' but alas! nowadays that is next door to impossible. It is true, no age ever attached more value to facts than our own: but the fact is nothing: it is the interpretation of the fact which is all. History, which of old was written by statesmen for statesmen,

and aimed at imparting political wisdom, is now compiled by students, partisans, religious monomaniacs, or pedantical antiquaries for the 'general reader' or the 'middle forms of schools,' and aims at tickling the palate, enforcing a theory, or enabling idiots to pass their exams. Is it astonishing that history degenerates, and the kernel escapes? if the spirit of action evaporates, the political lesson leaks out and is lost, and men of the world are the last people expected to know anything about the matter? The men who *make* history and the men who *write* history are not of the same species: they differ as widely as a hawk and a barn-door fowl: and how can the one give an account of the ways of the other? How can we expect a Warren Hastings from a Mill, a Napoleon from a Lanfrey, a Mary Stuart from a Regius Professor, or a Lord Beaconsfield from a Mr. T. P.

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O'Connor? *Qui peut donc écrire la vérité que ceux qui l'ont sentie?* asks one who well understood the way of the world, the Cardinal de Retz: though it is only fair to inform you, dear Meg, that he asks that question at the moment that he is passing off a fiction as a fact. *Who knows does not write: and who writes does not know:* there is an epigram as true nowadays as when its great author (one of your own sex, by the way, Meg) first felt and expressed it. Even the wiseacres who write to the papers to instruct their generation are apt to display more zeal than profundity. It is true, that *The Case against Bimetallism* is to some extent a reprint of letters contributed to the pages of *The Times*. But we have seen reason to doubt, Meg, whether the 'currency specialist' whose letters embellish the columns of *The Times* is always an angel fearing to tread. We have tested his theory:

Let us see whether history strengthens his 'Case.'

The old national money of England was silver money : and Locke, one of Mr. Giffen's 'authorities,' even goes so far as to say that 'gold is not the money of the world, nor fit to be so.' But on this point, apparently, Mr. Giffen does not bow to the authority of his 'authority.' The monometallic scramble for gold is not, according to Locke, a case of the survival of the fittest. Locke did not hold with Mr. Giffen that the ideal state and perfection of currency was for the nations of the world to struggle for gold, to use Locke's own simile, like children in a bed for a coverlet too scanty to cover them. The old historic money of England was silver. But ever since the law of Edward IV. to legalise gold money, people could pay either in silver or gold, down to 1816. During the war with Napoleon, how-

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ever, specie payments were suspended. Why? Because we had to send all our specie, our silver and gold, abroad, to subsidise the Allies: and a Rothschild himself has told us what happens then<sup>a</sup>. Well, not being able to get silver and gold, and not being able, in spite of the Economists, to do without money, we had to make shift with some other material. We had to make paper promises, to be repaid after the war, perform the function of silver and gold; and we did so. Accordingly, in spite of the war money was plentiful, and trade, commerce,

<sup>a</sup> ‘Then whenever there is a demand upon a country for a metal which is the standard of value, it will produce a scarcity of money? Certainly.’ *Mr. N. M. Rothschild to the Bank Committee of 1832.*

Few people know to what an enormous extent currency was the cause of the popular miseries in the Middle Ages. Payments in kind having been commuted by Henry I. to payments in money, and the money being taken by the king for State necessities, the people could often get none. Hence the weight of taxation, famine, and so on.

and industry expanded enormously during the war. No sooner was the war over, however, than payments in specie were *restored*, but restored with a vengeance, and a difference, by Peel.

Personal character, we know, as modern philosophers tell us, has no influence on the course of historical events. Unfortunately, the peculiar character of Peel has cost England a heavy price, and will cost her still more, before the end.

Peel was, in reality, totally incapable of dealing with the question. He was, both as a statesman and a financier, during the whole of his career, utterly inferior to his reputation, gained in an age of little men : and like all mediocrities in high place, he was constantly forced by his position to verify Chamfort's aphorism, that if one would not be a charlatan, one must avoid the hustings. He had constantly to put forth

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and act upon pretensions of which time was as constantly proving the hollowness. Men who by a combination of circumstances and their own ambition find themselves called upon to deal with intricate questions with which they are not fitted to cope, have their hands forced by events. They are obliged to pronounce *ex cathedra* to expectant crowds on difficult points which all the time they cannot understand : they must at least appear to master their problem : they are therefore perpetually afraid of being found out, as Peel was at last : and you can see this expression in their eye. A vulgar ambition drives them into situations which Nature never destined them to fill. Such men are accordingly by turns dogmatic and dictatorial, shifty and irresolute : now cringing to public opinion, now yielding to theorists, now catching at nostrums, in default of any interior authority : ever shuffling and hesi-

tating when pressed for direct answers on unsettled questions<sup>x</sup>; awkward, evasive, and ambiguous, when asked to declare themselves: tenacious of their dignity, yet inwardly conscious of their own incapacity; never placing unreserved confidence in others, just because they have none in themselves: with no spark of the frankness and straightforward repose that comes of insight and strength, and marks the man who is master of his trade. Inward uncertainty, want of knowledge of his ground, with a rhetorical varnish of plausibility spread over it: that was the essential characteristic of Peel, the great Tory-Whig Opportunist, Mr. Every-

<sup>x</sup> Peel never refuted the extremely awkward charges, backed by still more awkward dates, brought against him by Bentinck and Disraeli, in regard to his change of opinion on the Catholic Question. His 'explanation' in the House on that head is a skilful piece of disingenuous shuffling, which evaded but never met the point: a specimen of his injured 'innocence' and Parliamentary tactics, attending to the form rather than the matter of the thing.

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thing-by-Turns, afterwards Sir Fretful Plagiary. The formal management of the House, Parliamentary tactics, was the constant subject of his thoughts: that which is but the means of a statesman was his end: for the essence of the matter, the thorough comprehension of his age and its forces, was entirely beyond him. He was not an actor, but a stage-manager. He was a Parliamentary bully, just because he was an economical incapable. All his great measures were taken second-hand from some other person: he felt it, and felt that others were aware of it: hence his constant courtesy to his inferiors, who sometimes touched him only too nearly.

He knew, at this time, and at all times nothing whatever about currency or finance; but, having read Lord Liver-

✓ 'Peel, who is Chairman of the Bank Committee, professes, I find, to have as yet formed no opinion on the subject, but to be *open to conviction*' (Wynn. Court

pool's book on the Coins of the Realm, he leaped to the position of a master; instantly conceived himself to have acquired a complete command over the whole subject. Though here, as usual, he was but making use of other people's originality, he called up his best Parliamentary attitude, made a great speech stuffed with cheap learning, 'improved' from his authority, and easily succeeded in throwing

of England ii. 321). So Peel said himself 'he was ready to avow without shame or remorse that he went into the Committee with a very different opinion from that which he at present entertained, for his views on the subject were most materially different when he voted against the resolution brought forward by Mr. Horner as the Chairman of the Bullion Committee.'

This is all very well; but what is forgiven to the child cannot be forgiven to the hoary statesman. Like a barber's boy learning to shave on the chins of his customers, Peel educated himself as he went along, and never finished. His education was not progressive, like a building: but circular, like a weather-cock. We have all heard of the bishop who commenced his theological education after he had grasped the crozier.

dust in the eyes of the House, who knew less, if that were possible, on the subject than even Peel himself. And yet he had studied his authority to so little purpose as to mistake the very heart of the whole question. It ought to be trumpeted abroad, Meg, that the monometallic gold standard was introduced into England (and thus into the world, for other nations did but copy her) owing to a vital error on the part of the 'open minded' Financier. This absolutely new departure, this financial *experimentum in corpore vili*, this untried theoretical currency, was actually described by Peel as *a return to the old standard*<sup>2</sup>.

\* He asserted that '*every sound writer on the subject*' (he wisely refrains from giving any names) 'came to the conclusion,' '*the old, the vulgar doctrine*' (!!) 'that a certain weight of gold bullion with an impression on it, denoting it to be of that certain weight and of certain fineness, constituted the *only true intelligible and adequate standard of value*:' and then, confounding, consciously or unconsciously, this standard with the standard from which we had departed twenty-two

The House took him at his word. All were unanimously in favour of Peel's major premiss, that *it was necessary to return to the old standard*. The only unfortunate thing was, (we must charitably suppose it *was* a mistake) that Peel's system was *not* the old system. It is *almost* incredible that Peel should have been unconscious of the vital difference between the old system and his own: but we must believe his own word. It is true, that his system enhanced enormously the value of all creditors' and fundholders' property: it is true that it raised at a blow the value of gold; but *that was no doubt a legislative accident*, Meg.

years before, he declared that 'to THAT standard the country must RETURN!'

Now, what are we to say to assertions like this? Is it conceivable that Peel could be ignorant to this monstrous extent? But if not—by what name are we to call him? Charity forces us to the conclusion, that he had not the dimmest notion of what he was talking about.

In spite of the earnest remonstrances of the Directors of the Bank, Peel's own father, a large number of merchants and traders, and even financial authorities like Mr. Rothschild, the Bill became law ; principally because Peel succeeded in persuading the House, that it was a *return to the old system*. Its immediate effect was, of course, an enormous and sudden contraction of the currency. Trade and Commerce had expanded up to the limits of a plentiful currency<sup>a</sup> : this new measure shrank round

\* The theory of the Bullion Committee, that the price of gold in Bank Notes proved that the notes were depreciated *owing to excessive issue*, stands in flat contradiction to notorious facts.

1. On that theory, the price of gold in Bank Notes should have risen and fallen with the issue of notes. But it did not.
2. The price of gold rose or fell—varied exactly, with the demand for gold for the war.
3. Everyone who took Notes had to pay for them : how then could they be in excess, more than were wanted ?
4. The theory assumes that gold has an absolute value

them like an Iron, nay, a Golden Shroud, crushing out relentlessly the life, draining like a vampire the blood, the circulating medium, the demand for products, and thereby causing infinite misery and desolation. Some idea of the scale of the evil may be formed from the fact, that the Bank had immediately to reduce the volume of its note circulation from £25,000,000 to £18,000,000,—more than a fourth. The Bill was the immediate occasion of Peterloo, three months later. It inflicted a blow upon Ireland, by ruining her Banks<sup>b</sup>, which

Gold was worth more, when the Bank Note could buy less of it. A greater demand had *raised its value*. £1 remained £1; but the gold in it had appreciated.

<sup>b</sup> ‘I recollect,’ said Peel, in 1847, ‘in the year 1820, the failure on almost the same day, at least within the same week, of 11 Banks in Ireland; and I think a little later the failure amounted to 21 or 22.’ But what he did not find it convenient to recollect was the fact, that *his own Bill* was the cause of their failure. ‘He appears to have described these calamities with so much sarcastic humour as to have

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plunged that unfortunate country into fresh destitution, and the ultimate consequences of which took away her very possibilities of rising in prosperity. All this was but the verification of those disasters prophesied by the experts who strove to dissuade Peel from forcing through his fatal currency measure; whose testimony was all the more valuable in that it came in many cases from men who saw that they would personally gain by the change, as they did.

But a wilful man will have his way, Meg ; and there is no man so wilful as a theory-ridden politician who has got the bit between his teeth. The disasters produced

elicited the cheers and laughter of the House.' It was no laughing matter for the poor wretches who died of starvation in the year of grace 1820. Money was so scarce, that the Irish farmers had to sell even the food that would have fed them and their dependents to raise money for their rents and taxes.

by the Bill were ascribed by its authors to every cause but the right one. The general distress was traced by Ricardo to the abnormal abundance of wheat; an analysis adopted by the minister, Lord Liverpool: who yet, to his honour, did not adopt also the 'illustrious' economist's remedy<sup>a</sup>. Mark the cruel irony of the thing, Meg. In February, Lord Liverpool stated that the distress among English farmers was due to the over-production of Ireland: in June, the Irish are found dying of famine in the midst of plenty: not because there was not enough food, but because they had been deprived

<sup>a</sup> Ricardo's Ricardian remedy for the distress was—only just think of it!—that 'all mean and poor soils which had been made productive at too great a cost of capital should be suffered to go back into barrenness'; i.e. that with hungry mouths crying for it, the *wealth* should be obliterated to save his contemptible theory of *value*. And this preposterous pedant is one of Mr. Giffen's great 'authorities.' Lord Liverpool, to do him justice, saw and said that the evil lay in the deficiency of money.

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of the money, the means of obtaining it, by the criminally idiotic Bill of a financial tyro. And what remedy *was* attempted? Why, people instantly started subscriptions in MONEY to send over to Ireland. Yet what need, according to the Economists, of money? are not *commodities purchased with commodities?* Truly, if a man does not despise his species, it is not the fault of the Political Economists. Private benevolence had to step forward to return the money, and repair the injuries, respectively withdrawn and inflicted by this orthodox Economical Bill.

In vain did Lord Althorpe exclaim, that though it was too late to repeal it, yet if he had known what he was doing, he would rather have lost his right arm than carried that Bill: in vain were attempts made to repeal it: to all who abused it, or endeavoured to make amends

for their error,—who like Mr. Baring<sup>a</sup>, or Mr. Attwood, tried to open the eyes of the nation to the delusion to which they had been subjected in supposing the Bill to be a *return to the old system*—Peel constantly replied with the acerbity of a man who has prickings of conscience within, but has gone too far to draw back. We are the slaves of the Frankensteins we ourselves have created. Further, to do him justice Peel really did not know what he had done. The whole thing was above the level of his mind. Yet mark, Meg, his fatal position. *Before* gold was enthroned, in place of the original double standard, no creditor could have dared to claim as a right that

<sup>a</sup> At the time the Bill passed, great weight was laid by its partisans on the authority of Mr. Baring, who was in its favour. Nine years afterwards, Mr. Baring confessed that he had been completely mistaken. Nobody paid any attention to his authority, *then*.

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it should be ; could have ventured to demand that his debt should be repaid in a metal artificially raised by the law to a position and value it did not hold when the debt was contracted : that the law should enable him to reap where he had not sown, by an artful juggle with the currency. But *after* the deed had been done ; *after* that the single gold standard had been established, then there was *ipso facto* created a powerful class to stand shoulder to shoulder in defence of their newly won privileges and the *New System. Viresque acquirit eundo.* To have instantly repealed his own Bill could hardly be expected of Peel : on the other hand, to wait was fatal. And here you may see, my dear Meg, how one legislative *faux pas* inevitably leads on to another. As the evils introduced by Peel's Bill were not prevented, they had to be cured by remedial measures,

Instead of the simple ellipse, the legislative Copernican cycles were strung one on another. The one thing essential was for the Goldmongers never to admit that they had been wrong. It now became the policy of government strenuously to cry down and oppose all attempts to alter the law. The Currency Question, they said, like the Reform Bill, was settled for ever : it must not be re-opened : 'no tampering with the currency : 'no currency maniacs ;' 'no fads.' (You see, my dear Meg, there were Giffens in the land even in those days.) The promoters of revolutionary theoretical change now suddenly became sticklers for fixity of tenure. The Bill was made its own vindication. The *new* system had been passed under the cloak of the assertion, that it actually was the *old* system. Now, when, their eyes being opened, people called out for the *real old system*, the govern-

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ment pointed to the Bill. '*Nolumus leges Angliae mutari.*' No hasty meddling with old established laws. *Spartam nactus es: hanc exorna.* *Theory*, entrenched in position, like the dog in the fable, turned round and abused the *old* dog who sought to recover her own as a *vile theorist*. Our principles, said these New-Old-System-mongers, are strictly Conservative and historical. Conservative! if *these* are Conservative principles, why, how do they differ from Radical? All men are Tories, Meg, if a Tory is only a *Radical who has got what he wanted*. Anyhow, the fact that the Bill was in force was held, now, to be the best of all reasons why it should never be repealed. Each year added force to the argument, value to the gold, and weight to the general misery and distress. The Bill and the New-Old System were even as the laws of the Medes and Persians.

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But if he would allow no one else to touch his Bill, or lay a finger on the Currency Question as by law established, Peel did not extend this prohibition to himself. The Complete Financier, in 1844, still further completed his finance. Here, as usual, he leant for support upon friendly theorists. Using as his crutches one great economical authority who had made all his money by a process that directly contradicted all his theories, and another great Banking authority who had made all his money by a process he now wished to abolish, he introduced and carried his Bank Charter Act of 1844<sup>e</sup>. He described this new Bill of

\* The Bank Charter Act was based on the farcical assumption that there is only *one* cause for the export, or drain, of gold,—a redundancy of currency. Ricardo had laid down the law : ‘we should not import more goods than we export, unless we had a redundancy of currency.’ This is of course, utter nonsense, but *ipse dixit* Ricardo. It followed, that, as we were doing the first, our currency *must* be redundant—*ergo*, it was. The other crutch, Lord Overstone, being

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1844 as the ‘complement’ of that of 1819. His descriptions, like other men’s dreams, must unfortunately always be interpreted by contraries.

‘A quarter of a century,’ he announced with pride to the obsequious House, ‘has passed away, since I first brought forward *that great measure*,’—the Bill of 1819. But after speaking at some length on the evils now existing in the monetary system of England, he asked: ‘Have I not shown that it is impossible with any regard to the safety of the State, to permit the *present system* to go on without control?’ Grant

asked, whether the drain of gold to America in April was not sufficiently explained by the immense and unusual import of corn from America in that month, said: ‘*I do not know, I do not know at all, where the gold goes to. If it goes, that is all I ever attend to.*’ Yet it was just this very point, *where the gold went to, and why it went*, on which the whole question depended. There are, of course, ever so many causes for a drain of gold.

These illustrious men are Mr. Giffen’s ‘authorities,’ and the pillars of the English monetary system.

that he had, yet who, then, was responsible for the *present system* with its evils? No other than *Sir Robert Peel*.

He utterly failed to understand what were the evils of the *present system*. He knew no more what he was doing now, than he did in 1819. He announced this new measure of 1844 as the 'complement' of that of 1819. In fact, the Bill of 1844 was based upon a principle which in 1819 he had stated 'had always appeared to him extremely unwise.' '*A quarter of a century*' since his '*great measure*' had left him as incompetent as ever. His language was ever sonorous, his

<sup>1</sup> See an extremely able, but unfortunately anonymous work entitled '*The Mystery of Money Explained*', by some one who describes himself as a banker of sixty years' standing, and whose acumen and experience do not belie him. But people ought to have the courage of their opinions : a *man* should sign his name : no fighting behind walls.

'Woe to the coward, that ever he was born,  
Who did not draw the sword, before he blew the horn !

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motives always sublime, but still when Time lifted the dish-cover, there was the dish as empty as before. The aims of this new Bill of 1844 were specially magnificent. The *menu* was most imposing. The Bill was 'to give steadiness to the character of our resources, inspire confidence in the circulating medium, diminish all inducements to fraudulent speculation and gambling, and ensure its just reward to commercial enterprise conducted with honesty and secured by prudence.' That was in truth a noble Bill of Fare. What a banquet for the supporters of the Act! But the proof of the pudding?—ah! there he was unfortunate. None of these prodigious achievements came off. The political Trimalcio turned out to be only Tartuffe. The banquet was only a Barmecide banquet, a Pickwickian or even a Pecksniffian affair. The promises were pie-crust, and the Bill a bubble: all 'Chaos

and Clouds and the Tongue.' The simple fact is that its author had not the dimmest conception, not only of the cure for the evils, but even of the evils to be cured. The convertibility of the note, the goal of all Peel's efforts, had never been in any sort of danger. No human being had ever lost 'confidence in the circulating medium.' On the other hand the dangers that did need removing were not only not removed, but actually increased, nay, rendered compulsory and inevitable, by this wonderful Bill <sup>s</sup>. By providing, that whenever gold went, the notes

<sup>s</sup> The Bank Charter Act was such a monumental mass of blunder and bungling, that it almost makes one cry to pull it to pieces,—*miseranda vel hosti*. But among the many strokes of genius it embodied, it is worth noting, that it never occurred to Peel that gold could be drawn from the Bank by cheques as well as, and better than, by notes. To be consistent, Peel ought to have abolished Banking altogether. His notion of Banking was the old deposit Bank, where the notes were not Credit, but tickets for the gold held in the Bank.

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should go too, which was the heart of the Bill, Peel 'ensured' not 'the just reward of commercial enterprise, &c. &c.,' but certain ruin to sound commercial houses.

And now, as a matter of fact, what *did* the Bill do? Utterly out as Peel was, when he announced his Bill of 1844 as the 'complement' of that of 1819, yet curiously enough, the tendency of both Bills was, in one respect, the same. *They both immensely enhanced the value of gold.* They both tended to give to gold a MONOPOLY OF MONEY. The first Bill expelled silver, the second restricted the notes and tied them up strictly to gold. Both Bills threw more work, and conferred immense privilege, upon gold. But *that also was doubtless a legislative accident, Meg.*

Few people know how near that Bill came to ruining English trade altogether. It came within an ace of it. In direct antagonism to

that desirable condition of which Mr. Giffen has told us, that money should increase with the increase of population and trade, Peel had done all that lay in his power to make money *decrease* with the increase of necessity for the use of it<sup>h</sup>. It was of course a pure *accident* that the constant tendency of all this otherwise various legislation was to put a premium upon gold : quite *accidental*, that while in obedience to the cry of the hour and the hustling of theorists and an interested faction he ruined England's Colonial Empire by adopting a one-sided short-sighted Free Trade, the converted Free Trade apostle at the same moment set up Protection in its

<sup>h</sup> 'He delighted to speak of his Bank Act as one of the most important achievements of his public life. Perhaps because it was one of those in which he most fully succeeded in obtaining the object which was ever present to his mind,—the union of scientific truth with practical efficiency.  
*Guizot's Memoir of Peel.*

*Pasques-dieu!* this is too magnificent. *Scientific truth, practical efficiency, and the Bank Charter Act!*

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very worst form in the shape of the Bank Charter Act. These *accidents*, like Mr. Sam Weller's knowledge of London, are 'extensive and peculiar.' But Nemesis limps after legislators whose career is constructed of accidents like these ; she may take her time, but still she arrives. Posterity will require something more in a candidate for the much profaned epithet of statesman than a mind always sufficiently '*open to conviction*' to render its unlucky owner the cat's paw of persons who knew what he was doing much better than he did himself. If a 'quarter of a century' leaves the mind still the same political shuttlecock that it found it, destitute of, because incapable of forming, an original principle founded on the comprehension of the economical tendencies and needs of the age, but open and ready at all times to adopt '*by conviction*' specious and plausible theories that run counter to your whole

career and the ties and pledges of party, simply from the general motive of benevolence to your kind—if this it is to be a statesman, there is never an old lady in England who is not a statesman and party leader of the highest order. The pilot<sup>1</sup> who shapes his course, not by navigation and the compass, but the casual advice or bullying of amateur passengers, may be a most estimable man, no doubt; the pride of his family and the ornament of the domestic circle; but the Company that insured his ships would soon go bankrupt.

But suddenly came a bolt from the blue, a real accident: the discovery of gold in Australia and California. That gold saved England's commercial prosperity from the

<sup>1</sup> People who want to know what a statesman is should read the life of Mr. Horace Bixby, in Mark Twain's wonderful book '*Life on the Mississippi*'. It is the finest portrait of a master in politics to be found in literature.

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consequences of Peel's restrictive legislation ; partly by its positive supply (it acted *instead* of the silver, and served as a *basis* for notes), and partly by frightening other nations, and preventing them, *for the time*, from copying England and adopting the single gold standard. The two laws of Peel had narrowed the currency to its lowest possible minimum : and the condition of England was more than deplorable : she was dying of inanition. The copious gold that poured in from the mines came just in time to avert a social catastrophe that would have ruined her<sup>k</sup>. The flood of prosperity that followed has drowned the recollection of the miserable state which preceded it. And yet there is a farcical side to the event. To those who had made it the goal of all their efforts to screw up the

<sup>k</sup> See, for a fuller analysis of this period, R. H. Patterson's *New Golden Age*: or my own *Principle of Wealth-Creation*.

value of gold, this apparently infinite deluge of gold came like a dish of cold water from the ironical power who sits up aloft and scoffs at the vanity of human endeavour. They started back in dismay, as men leap back from a precipice suddenly yawning at their feet out of the dark, or a hobgoblin grinning in their face in the gloom. The Political Economists who were to the fore at that time poured their terrified abuse in full stream on that gold which saved us from ruin. They published elaborate books to warn an unconscious world of the hideous calamities coming upon it—nay, which according to their theories must have been even then in full operation, from the ‘probable fall in the value of gold:’ books in which the theories advanced were flatly contradicted even by the very facts adduced to support them. No doubt, had Peel still been living, his ‘open mind’ would have

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abolished his gold standard in obedience to the new theories of Cobden and Chevalier<sup>1</sup>.

Their prophecy turned out to be pure nonsense, utterly falsified by the event; and so it has been conveniently smothered away, and nobody now pays any regard to it, or seeks to draw attention that way. But this is a very great error. It deserves all the attention we can give it. Instead of being hidden under a bushel, it ought, on the contrary, to be bellowed from the house-tops, that POLITICAL ECONOMY DELIBERATELY STAKED THE TRUTH OF ITS THEORY

<sup>1</sup> Money being a commodity, and subject to the ordinary laws of commodities, *must*,—so MM. Chevalier and Cobden argued,—fall in value enormously owing to the immense new supply: hence the disasters. But at the very time they wrote more than two hundred and forty millions of gold had flooded the world,—and yet where were the fatal consequences that should have arrived? Observe, this is crucial. The Economists said: If A is, B is. But B was not. Therefore A was not: money was NOT a commodity, according to their own proof.

OF MONEY ON PREDICTIONS THAT WERE PROVED FALSE BY THE EVENT. The fact is, that under the influence of its erroneous theory, the authorities *then* were terrified by the prospect of gold, just as *now* they have been terrified by the prospect of silver. And yet what is this silver in comparison with that gold? Nevertheless, from a fear of this bugbear, as unreal as the nightmare, silver must be demonetised, and all the world suffer, except those who have an interest in 'cornering gold ;' except the dark oligarchical cabal who work under the cover of economical orthodoxy.

Anyhow, in 1851, the gold came: industry and population, trade and commerce, swelled up to gigantic proportions under its genial influence and up to its margin<sup>m</sup> ;—

<sup>m</sup> It is a total delusion to ascribe the prosperity dating from 1851 to Free Trade. I have explained this elsewhere : here it is only necessary to point out that other nations de-

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and then in 1872 came the great Currency Epidemic, the Anti-Silver Mania. As if bitten by a gold-bug, nation after nation boycotted silver, and in spite of the enormous development of trade and population and all their corollaries, we see the world actually reducing its money wholesale. The metallic basis on which all the credit rests is cut down to a minimum. And yet people gabble about the insufficiency of the metallic reserve, and play with contemptible nostrums, 'pills against the earthquake:' looking for salvation, and with an air of great intelligence dealing out blame, in every direction but

veloped, under Protection, as well, and more, than England, under Free Trade. The cause was not special, but general,—the new gold.

Peel unhappily blurted out the truth one day about Free Trade in the House. *Its real aim*, he said, *was to cheapen production.* That was true. But it is not *cheapening production* that will create *demand for the product*. The gold did that. Better is an *increase* in demand, than a *decrease* in cost : high prices than low ones.

the right one. Good Queen Bess, my dear Meg, might have taught us that it is not the short ends of wit nor starting holes of devices that can sustain the expense of monarchy, but sound and solid courses. A Bank Charter Act and a policy of Currency Restriction are only to be expected when financial 'authorities' understand neither the nature and function of Money and Credit, nor even the difference between a Bank, and a Bank of Deposit. People who base their currency institutions on the theory that *money is a commodity* are likely to find some difficulty in extricating themselves from the consequences of their own misconceptions. You might as well base navigation on the theory that ships will sail best with their sails under water and their keel in the air, with their centre of gravity raised as high as possible, and their ballast slung up near the flag.

*Now* is the summer of our prosperity, Meg, made glorious winter by the laws of Peel. *Now* it is, that his legislation is beginning to work. The new gold stopped it, for a time: but at last, Mischief is afoot. Is it hard to perceive what course she will take? A constantly increasing imperative demand for gold as the nations jump one after another like sheep into an error that will, if not remedied, prove fatal to them all—coupled with a constantly diminishing supply—one does not require, Meg, to be the seventh son of a seventh son to see that far into futurity. Even a Political Economist might make a true prophecy here. Let me be your Mother Nicneven or your Allan M<sup>c</sup>Aulay, then, just for the nonce.

Fixed sums in money will all become imperceptibly but steadily larger and larger: not numerically, but in power of purchasing. Creditors will go on get-

ting back—so long as there still remains anyone to pay them, before general bankruptcy sets in—ever more and more than they lent: but this golden harvest will not last as long as they think. It is better to be owed *less*, by someone who will ultimately pay, than *more*, by someone who ultimately *won't*<sup>n</sup>. Credit and Banking will grow ever more precarious, as the precious metal that forms the reserve as well as the indispensable instrument becomes even more keenly disputed by rival establishments: in which deadly struggle the strongest will win, and the weakest will go to the wall. Taxation will rapidly and visibly grow heavier and heavier, in a *double* degree: for each producer will have to give more and more produce for the same sum of money, and

<sup>n</sup> Of course, it is not really the interest of a creditor to be repaid. His money only brings him a return, when it is *lent*: he must part with it, to get advantage from it.

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hence life will grow harder and harder, and producers be progressively ruined; while on the other hand taxation will have to be raised, numerically, to meet the expenditure, upon those victims that remain. Trade, Commerce, and Industry will gradually dwindle away and decline, in those nations less able to grab a share of the gold, for it will become constantly more and more impossible to make and sell goods with a profit. Mark, Meg, that all this follows with logical certainty from even Mr. Giffen's position. For us, who know that money is not a *commodity*, but the *vehicle of demand*, the result is even more undeniable and appalling. The prime cause of all Wealth Creation will shrink up to a minimum: like the *Peau de Chagrin*, every wish formed by its doomed owner will bring nearer the inevitable catastrophe.

I met, not long ago, a pillar of our Indian

Empire. ‘That is a very nice landau you’ve got.’ ‘Yes,’ he replied; ‘it is the last I shall ever buy. It cost me £200; that should be Rupees 2,000, if all had their own, but as it is, it is upwards of 3,200. A few years ago, everyone bought English carts, harness, and what not: now, they must put up with Lucknow carts, Cawnpore harness, and Indian things generally: such is the law of the Vanishing Rupee.’ A pleasing outlook: and yet, Meg, *the future of British Commercial prosperity lies Eastward ho!* It must develop in the East, or go out altogether. It cannot fight Protection in the West. And yet the fall in Exchange makes it impossible to compete in the markets of the East with Eastern productions.

Note, by the way, Meg, that is the greatest mistake in the world to suppose, as is commonly done, that Credit is, in ultimate

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analysis, any substitute for metallic money. The *retail* buying and selling is the goal and final aim of all commerce and trade and production. The *wholesale* is all done in Credit (except when financial disasters, destructive of Credit, intervene), but it all issues in, and depends on, the ultimate *retail*: and the retail depends on, and indeed mainly takes place in, hard money, ringing coin, cash, the poor man's purchasing instrument. Goods must go where they can find the best prices. Merchants will send their commodities to the country where money calls for them loudest<sup>o</sup>. High wages are the real index of a national prosperity.

<sup>o</sup> Qn. 4947. 'You think the best principle the Bank can adopt is to issue largely and make the currency abundant? Yes; if this country has money in abundance, it will have all the trade from the whole world, and if you make money very scarce trade will go to other countries.' *Evidence of Mr. N. M. Rothschild before the House of Commons Committee in 1830.*

And now for a little politics, Meg. The British Empire stands in a critical position. Ireland is perhaps not going after all to break loose from the Union: yet one never knows; Mr. Gladstone is still with us. Time, though it may write a wrinkle on his brow, yet seems powerless over his organisation, even when aided by the gingerbread-snap of lawless enthusiasm or the casual malignity of the unpolitical heifer. The Colonies, which in 1846 England might have welded to herself by the adamantine bond of a common commercial interest seem not unlikely, should occasion arise, to strike out for themselves. A wail of distress arises from Lancashire. India will certainly be ruined in her relation to England if she sticks to her vanishing rupee, or closes her mints, in unreasoning terror, to silver, or adopts an insane gold currency which will vanish quicker than the

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rupee. But this last measure, if taken, would speedily bring the world to its senses. And we, who go about the globe bragging of our Empire, when our dependency comes to us as a suppliant begging us to remedy an evil our own financial legislation has caused, we throw the solution on her own shoulders. If this be imperial government, we may as well abdicate, and, like the potentate reproved by the old woman, 'cease to reign.' Methinks I can see the old Roman senators tittering in their graves at this marvellous specimen of 'masterly inactivity'; and the pale ghosts of Chatham and his son reddening with anger and shame at the ignominious and degenerate shuffling of their descendants. They did not build up the Empire by shifting the responsibility on to the shoulders of the governed.

Bimetallism and the repeal of the Bank Charter Act coupled with absolute free

trade in Banking, are remedies which would go far to cure the evils. These measures would afford that security to Banks, that nutriment to Commerce, that steadiness to the standard, that check to the machinations of dealers in bullion, that steadiness in the rate of interest<sup>p</sup>, that increase of employment and impulse to production, languishing for markets, that bond of Imperial Union, which every sane man should desire to see. I know they *do* say, Bimetallism is not within the sphere of practical politics. Doubtless they do: the mere fact of establishing a monometallic gold standard makes it all but impossible, and certainly progressively harder to change it. The creditors and holders of fixed incomes shrink from Bimetallism: because they are afraid that it would decrease very largely their

<sup>p</sup> From 1704 to 1803 the Bank rate of interest never rose above 5 or fell below 4 per cent.

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power of purchasing. They make a bugbear of silver, just as their forefathers in the fifties made a bugbear of gold.

' Who would believe what strange bugbears  
Mankind creates itself, of fears,  
That spring like fern, that insect weed,  
Equivocally without seed,  
And have no possible foundation,  
But merely in th' imagination.'

The gold the world feared in the fifties was in reality the greatest of blessings to it, and just so the current fear of silver is all a delusion, a phantom of the brain. Silver has fallen in esteem because it has been boycotted ; its function as money has been destroyed. Restore it to its legitimate position beside gold, and it will be just what it was before. No one would lose a farthing if silver were restored : the world would gain enormously. But even if it were not so ; even if silver tended to make money progressively cheaper, that

would be better for the world than that it should become, as it is now becoming, progressively dearer. Do creditors suppose they can flourish, if trade, commerce, and industry, on which they flourish, go to the wall? Short-sighted monopolists, your interests are in reality bound up together. You stand or fall by the same conditions. Remember the Sibyl and her books. She offered you nine in 1846: you refused them: she now offers six: refuse them again: she will come back later and demand, not the same, but a heavier price for those that remain. For there is not the least doubt about it: there is not enough gold in the world for us all. The question is not, whether silver shall ultimately come back: that is certain: the question is, whether the world will restore it in time to save itself from an irreparable series of disasters, or wait till it has to purchase its wisdom by

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bitter experience. It was the want of a plentiful currency that sapped the original vigour and drained away the life-blood of ancient Rome, and so brought it to the ground: shall it be allowed to count yet another victim, cause yet another imperial catastrophe, force a still mightier civilization than even that of old Rome to wither and fade, by robbing it stealthily and surely of its vital juices?

We all know the fable of the man who worshipped an idol, to which he was accustomed to pray zealously that it would send him riches; but all to no purpose: till at length, in his exasperation, he seized it by the feet, and dashed it to pieces, when out flew a treasure concealed in its body, all over the floor. Thus he attained by the breaking of his idol, that wealth which it never bestowed upon him, while it was whole.

'Shall we break our idol, do you think, Meg? I do not know: these things are on the knees of the gods. Public Opinion, with which we began, I find we must end with: she is, after all, the final court of appeal, the lord of the world: stronger than the laws, stronger than party, stronger even than Parliament with all its 'supremacy'; for Public Opinion has only to nod, and all these must obey.

## WANDERING WILLIE.

P.S. I shall expect to be paid for all this, Meg, next week, when I come to Fairyknowe: not in my coin, but yours: a medium payable only to bearer on demand, whenever the said bearer finds himself alone with his Banker. At your peril, Meg, will you refuse to honour my draft. Is not the labourer worthy of his hire; stop my wages, and I will strike? I will revolt from

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your allegiance: and yet—plague take it!  
I doubt whether, as the old song says, I can  
find forces enough to rebel. Ah, Meg, thou  
little witch, truly, thy spell is potent, more  
potent even than gold.

So basely, after all our braves,  
We have to own ourselves your slaves ;  
We break our clog, but all in vain ;  
We still drag after us our chain.



## A P P E N D I X.

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I CANNOT refrain from calling the reader's attention to the following remarkable passage descriptive of the *auri sacra fames*, from R. H. Patterson's *Economy of Capital*.

"In the spring of 1854 there was discovered in Australia one of the richest 'placers' or gold beds, even of that most auriferous country. The spot was a deep ravine, formed by the Buckland river, enclosed by steep mountain sides which excluded every breath of wind. It was autumn in Australia, though spring here. The air in the ravine was stagnant, and the scorching sun made it intensely hot during the day, while at night the temperature fell to a piercing cold, so that the sojourners in the ravine were alternately in an oven and an ice house. Moreover, as the gold beds lay in the channel of the river, the miners worked up to their waists in water. To this gold field of surpassing richness hundreds of adventurers flocked in feverish haste : but disease, like the fabled dragons and griffins of old, kept horrid sentry over the buried treasures. A peculiar fever, of the typhoid character, was the natural denizen of the spot : besides which the gold seekers suffered severely from eye-blight, owing to the concentrated blaze of the sunshine reflected from the steep sides of the ravine, and they were at all times grievously tormented by clouds of flies. Bad diet and want of vegetables aggravated the diseases natural to the place and to the kind of work. In the strangely inter-

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esting accounts which then reached us, we read of onions selling at six shillings a pound : and cabbages which we buy here for a penny were so precious that they were eat up and sold by weight—from half a crown to four shillings the pound being readily paid for them. Physic, or what passed for it, rose in price in a still more startling manner—Holloway's pills selling at one shilling each, or a guinea per box ! It was a Valley of Death. ‘Constitutions that had borne the hardships of other fields broke down here,’ wrote an eye-witness of the scene ; ‘and hundreds have perished, dying unattended and unknown. The little levels between the stream and the base of the mountain wall, for ten miles along the valley, are so thickly studded with graves that the river appears to run through a churchyard.’ One new-comer, wiser than the rest, having counted eleven corpses carried past his tent during the dinner hour of his first working day, and thinking that even gold may be purchased too dearly, left the place instantly. Many abandoned it after a somewhat longer trial. But the greater number, fascinated by the unusual richness of the gold beds, remained in defiance of disease, and ‘took their chance’—with what result the numerous graves of the valley testify to this day.

It was a scene ‘to point a moral or adorn a tale.’”

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